FEDERAL COMMUNICATIONS COMMISSION

Agency Financial Report

Fiscal Year 2022

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I. MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Message from the Chairwoman

As Chairwoman of the Federal Communications Commission (FCC or Commission), I am pleased to present the FCC’s fiscal year (FY) 2022 Agency Financial Report. This report provides financial and performance information about the FCC’s activities over the course of FY 2022.

The Federal Communications Commission has mounted what I believe is an extraordinary response to a historic crisis. Nothing has shined a light on the challenges brought by lack of broadband like this pandemic. It has revealed hard truths about the digital divide, the homework gap, and the consequences that come from being disconnected. Because those who cannot connect are denied—denied access to education, jobs, healthcare, and opportunity. We kicked off 2022 by launching the largest broadband affordability effort in U.S. history on New Year’s Day. Thanks to this work, as of November 8, 2022 over 14 million low-income families can more easily afford high-speed internet service. That means they can keep up with work, apply for jobs, seek and receive healthcare, and get the information they need to access essential services in their communities. Thanks to our program to help end the homework gap, as of November 8, 2022 more than 14 million school-aged children have access to connected devices and broadband connections that will help them keep up with their schoolwork and develop the skills they need for success in the digital age. We did not choose how this coronavirus crisis began, but I believe that we do have a choice when it comes to the legacy that this crisis leaves behind. We need to use this moment to build a foundation for new growth and new opportunity in the post-pandemic world.

The Commission’s actions this past fiscal year extend far beyond these historic efforts to connect everyone, everywhere. In January, we successfully concluded one of the largest auction ever to free up mid-band airwaves for 5G, and we kicked off a second mid-band auction in July. And in February, we took action to open up apartments and other multi-tenant environments to more broadband competition. We found that in those environments there's often only one broadband provider, and that means those who live there can wind up paying higher prices for lower quality service. We reached above our atmosphere to help ensure America’s future success in communications endeavors in space. We launched a new window for low-Earth orbit broadband satellite applications, proposed updates to our rules for processing these applications, and, for the first time ever, dedicated specific spectrum for the growing amount of commercial space launch activity. We put network security front and center through our efforts to carry out the Secure and Trusted Communications Networks Reimbursement Program, update the list of communications equipment and services that pose an unacceptable risk to national security, revoke the authorizations of certain state-owned carriers, and strengthen the security of the nation's alerting systems. For the first time, we put in a place a mandatory framework for promoting resilient wireless communications during disasters. It will help restore service faster, speed up emergency response, and keep more people connected during disaster. We launched investigations into how the nation's top wireless carriers are using our most sensitive geolocation data. And something I’m very proud we played a part in: the launch of 988, the new national three-digit number for the National Suicide Prevention Lifeline. Not only did we support its launch, we worked to expand it beyond voice calling to also support text messaging.

As for management of the Commission, the FCC has again demonstrated its commitment to sound financial management and has received for the seventeenth straight year an “unmodified” opinion on its financial statements from the FCC’s Office of Inspector General’s independent auditors. I am grateful to the staff of the FCC who work diligently every year to ensure that the Commission has strong financial controls in place and who work to provide all of the necessary information to the independent auditors as part of the financial audit process. The Inspector General and its auditors do make some recommendations to the FCC for additional improvements, and the FCC concurs with these recommendations. The FCC’s staff will work to take any and all necessary steps to implement corrective actions to continue to strengthen the operations of the FCC. In closing, I would like to thank all of the FCC’s staff for their hard work this past fiscal year.

The FCC staff is not just uncommonly talented and knowledgeable about communications law and policy, it's also an exceptional group of public servants. Thank you for your public service.

Jessica Rosenworcel
Chairwoman
November 15, 2022

Overview of the Federal Communications Commission

Introduction

Office of Management and Budget (OMB) Circular No. A-136, released on June 3, 2022, states that agencies may choose to produce either a consolidated Performance and Accountability Report (PAR) or a separate Agency Financial Report (AFR) with an Annual Performance Report (APR). The Federal Communications Commission (FCC, Agency, or Commission) has chosen to produce the AFR. The FCC will include its Fiscal Year (FY) 2022 APR with its Congressional Budget Justification and will post it on the Commission's website at https://www.fcc.gov/about/strategic-plans-budget.

The Commission's AFR includes three sections:

Section 1 consists of Management's Discussion and Analysis (MD&A) that presents a message from the Chairwoman, an overview of the FCC, including the senior leadership, Agency's mission statement, organizational structure, organizational chart, map of field offices, strategic goals and objectives, strategies and resources to achieve goals, entity components for financial statement purposes, payment integrity, performance highlights, overall status of audit recommendations, management assurances, financial management systems strategy, financial discussion and analysis, and other key financial statement analysis.

Section 2 contains the Commission's financial information. This section contains the independent auditor's reports, Commission's response to the independent auditor's reports, consolidated financial statements, notes to the financial statements, and required supplementary information.

Section 3 presents other information such as a summary of financial statement audit and management assurances, required reporting on payment integrity pursuant to the Payment Integrity Information Act of 2019, management and performance challenges from the Office of Inspector General, and a schedule of civil monetary penalties.

About the Federal Communications Commission

The FCC is an independent regulatory agency of the United States (U.S.) Government. The FCC is charged with regulating interstate and international communications by radio, television, wire, satellite, and cable. The Commission also regulates telecommunications, advanced communication services, and video programming for people with disabilities, as set forth in various sections of the Communications Act.

The Commission's headquarters is located in Washington, D.C. It has 13 field offices throughout the nation, including three regional offices located in Atlanta, GA, Columbia, MD, and Los Angeles, CA.

Senior Leadership

The FCC is directed by five Commissioners appointed by the President and confirmed by the Senate for five-year terms, except when filling the unexpired term of a previous Commissioner. Only three Commissioners can be from the same political party at any given time. The President designates one of the Commissioners to serve as the Chair.

The Chair serves as the Chief Executive Officer of the Commission, supervising all FCC activities, delegating responsibilities to Offices and Bureaus, and formally representing the Commission before the Congress and the Administration.

Currently, the Commission has only four Commissioners. The current Chair and the Commissioners are:

- Chairwoman Jessica Rosenworcel
- Commissioner Brendan Carr
- Commissioner Geoffrey Starks
- Commissioner Nathan Simington

Mission

As specified in section one of the Communications Act of 1934, as amended, the Federal Communications Commission's (FCC or Commission) mission is to "make available, so far as possible, to all the people of the United States, without discrimination on the basis of race, color, religion, national origin, or sex, rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges."[1] In addition, section one provides that the Commission was created "for the purpose of the national defense" and "for the purpose of promoting safety of life and property through the use of wire and radio communications."[2]

Organizational Structure

In order to accomplish its strategic plan, the FCC is organized by function. There are seven Bureaus and ten Offices. The Bureaus and the Office of Engineering and Technology process applications for licenses to operate facilities and provide communication services, analyze complaints from consumers and other licensees, conduct investigations, develop and implement regulatory programs, and participate in hearings and workshops. Generally, the Offices provide specialized support services, and in addition, the Office of Economics and Analytics manages the auctions program. The Bureaus and Offices regularly join forces and share expertise in addressing FCC-related issues.

The Bureaus

- **The Consumer & Governmental Affairs Bureau** develops and implements consumer policies, including disability access and policies affecting state, local, and Tribal governments. The Bureau also serves as the public face of the Commission through outreach and education and responds to consumer inquiries and informal complaints. The Bureau maintains collaborative partnerships with consumer-facing organizations and state, local, and Tribal governments in such areas as implementation of critical initiatives, implementation of new technologies, and emergency preparedness. In addition, the Bureau's Disability Rights Office provides expert policy and compliance advice on accessibility with respect to various forms of communications for persons with disabilities. The Bureau also ensures public facing access to the Commission for persons with disabilities via a team of American Sign Language interpreters and accessible formats specialists.

- **The Enforcement Bureau** enforces the Communications Act and the FCC's rules. It acts to protect consumers and their sensitive information, ensure efficient use of spectrum, further public safety, promote competition, resolve disputes, and protect the integrity of FCC programs and activities from fraud, waste, and abuse.

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[1] 47 U.S.C. § 151.
[2] *Id.*

- **The International Bureau** administers the FCC's international telecommunications and satellite programs and policies, including licensing and regulatory functions. The Bureau promotes pro-competitive policies abroad, coordinates the FCC's global spectrum activities, and advocates for U.S. interests in international communications and competition. The Bureau works to promote high-quality, reliable, interconnected, and interoperable communications infrastructure on a global scale.

- **The Media Bureau** recommends, develops, and administers the policy and licensing programs relating to electronic media, including broadcast television and radio, cable television, and satellite television in the United States and its territories.

- **The Public Safety and Homeland Security Bureau** develops and implements policies and programs to strengthen public safety communications and interoperability, homeland security, national security, emergency management and preparedness, disaster management, and network reliability and resiliency. These efforts include rulemaking proceedings that promote more efficient use of public safety spectrum, improve public alerting mechanisms, enhance the nation's 911 emergency calling system, and establish frameworks for communications prioritization during crises. The Bureau also maintains 24/7 operations capability and promotes Commission preparedness to assist the public, first responders, the communications industry, and all levels of government in responding to emergencies and major disasters where reliable public safety communications are essential. Finally, the Bureau coordinates the Commission's national security mission and consults with the Defense Commissioner pursuant to 47 CFR § 0.181 of the Commission's rules.

- **The Wireless Telecommunications Bureau** is responsible for wireless telecommunications programs and policies in the United States and its territories, including licensing and regulatory functions. Wireless communications services include cellular, paging, personal communications, mobile broadband, and other radio services used by businesses and private citizens.

- **The Wireline Competition Bureau** develops, recommends, and implements policies and programs for wireline telecommunications, fixed (as opposed to mobile) broadband and telephone lines, striving to promote the widespread development and availability of these services. The Bureau has primary responsibility for the Universal Service Fund which helps connect all Americans to communications networks.

- **The Office of Administrative Law Judges** is composed of one judge (and associated staff) who presides over hearings and issues decisions on matters referred by the FCC.

- **The Office of Communications Business Opportunities** promotes diversity, competition, and innovation in the provision and ownership of telecommunications and information services by supporting opportunities for small businesses, as well as women-owned and minority-owned communications businesses.

- **The Office of Economics and Analytics** provides objective economic analysis to support Commission policy making and implements agency-wide data practices and policies, including implementing significant economically-relevant data collections. The Office also manages the FCC's auctions in support of and in coordination with the FCC's Bureaus and Offices.

- **The Office of Engineering and Technology** advises the FCC on technical and engineering matters. This Office develops and administers FCC decisions regarding spectrum allocations and unlicensed devices and coordinates use of the spectrum with the Executive Branch. The Office also oversees the Commission's equipment authorization program to ensure compliance with technical rules and its experimental licensing program to promote new and innovative technologies and services.

- **The Office of the General Counsel** serves as the FCC's chief legal advisor.

- **The Office of the Inspector General** conducts and supervises audits and investigations relating to FCC programs and operations.

- **The Office of Legislative Affairs** serves as the liaison between the FCC and Congress, as well as other Federal agencies.

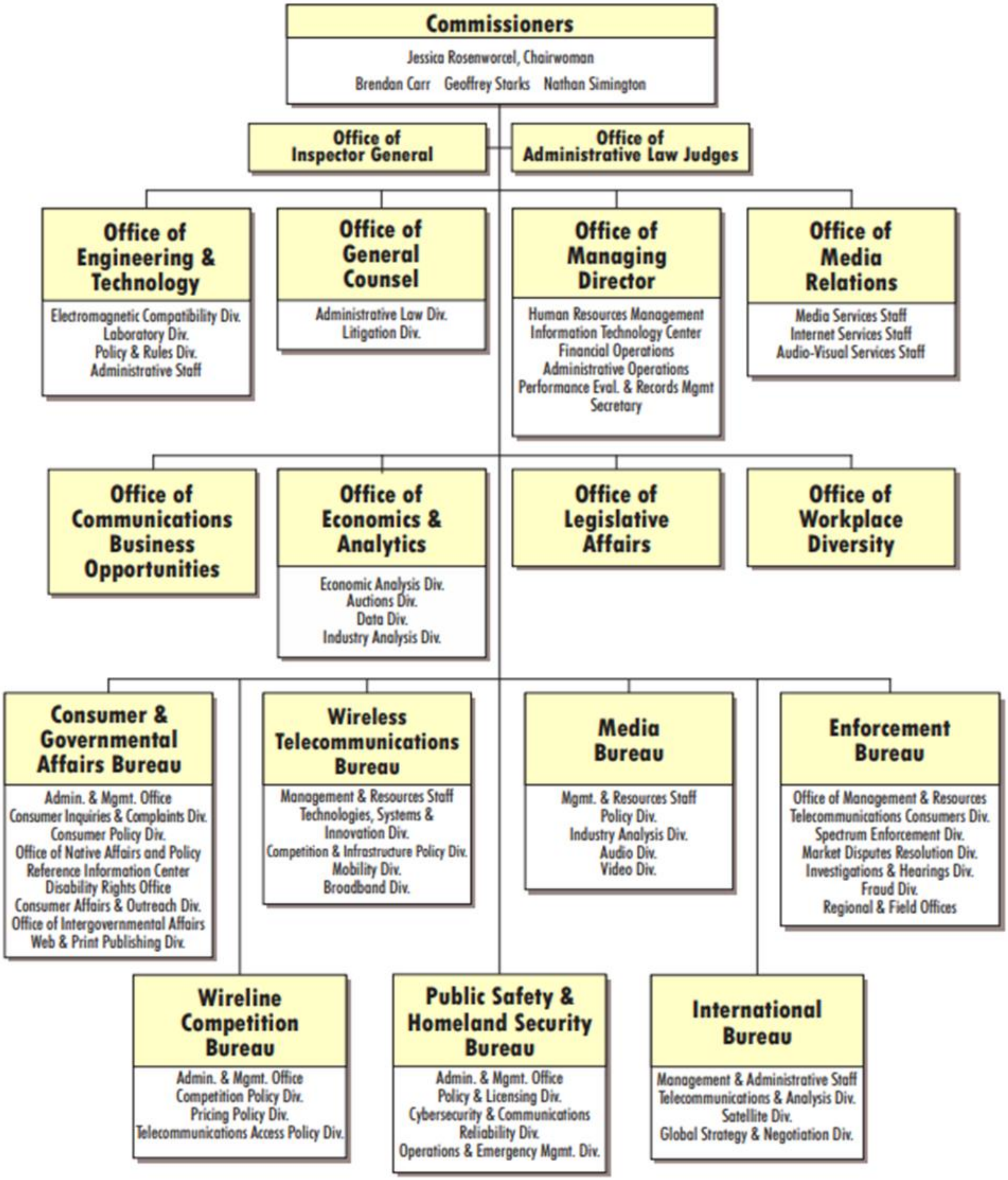
- **The Office of the Managing Director** administers and manages the FCC.

- **The Office of Media Relations** informs the media of FCC decisions and serves as the FCC's main point of contact with the media.

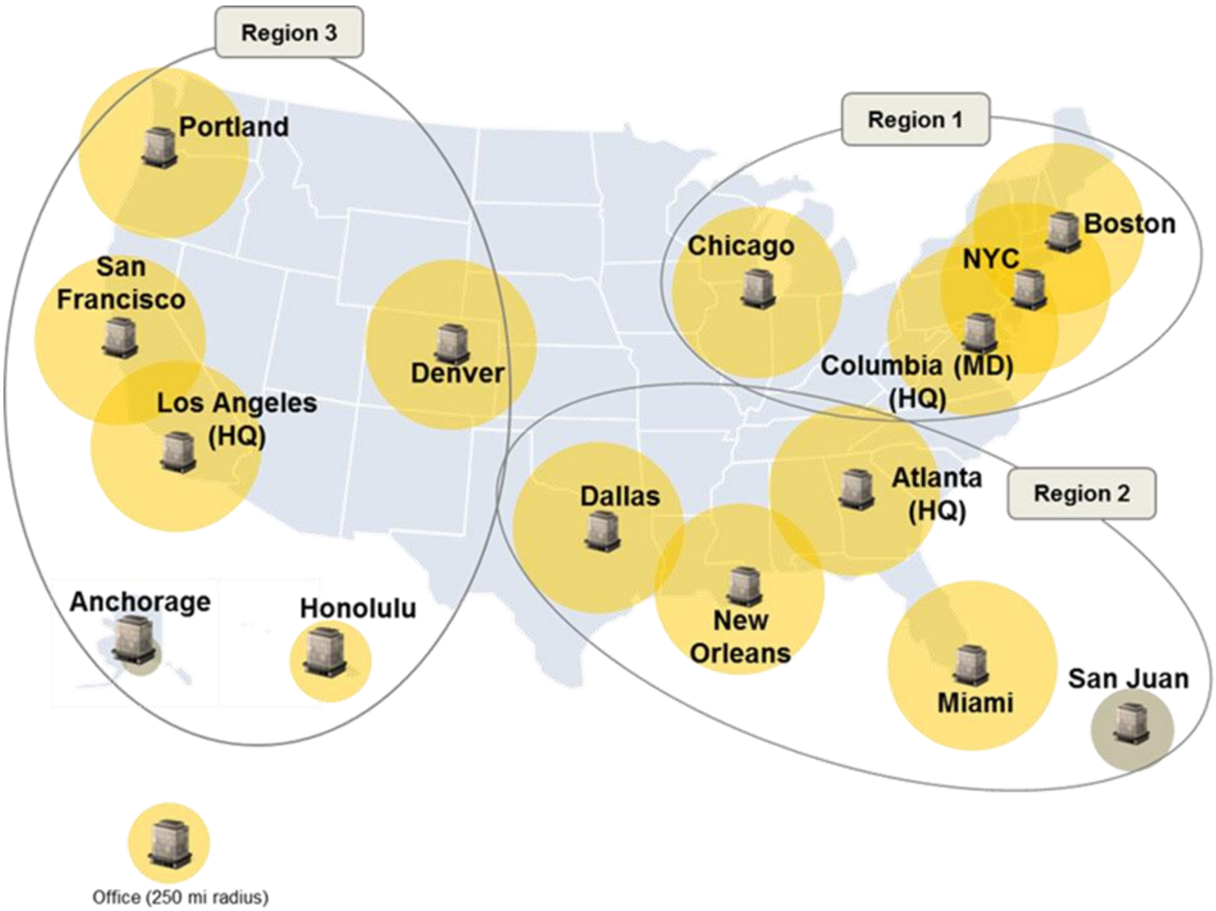
- **The Office of Workplace Diversity** develops, coordinates, evaluates, and recommends to the Commission policies, programs, and practices that foster a diverse workforce, and promotes and ensures equal employment opportunity (EEO) for all employees and applicants without regard to race, color, religion, sex (including pregnancy and gender identity), sexual orientation, national origin, age, disability (mental, intellectual, or physical), marital status, parental status, political affiliation, genetic information (including medical history), or any other basis protected by law.

Additional information on specific Bureau and Office responsibilities can be found in Title 47 of the Code of Federal Regulations and on the Commission's web site at: http://www.fcc.gov.

Organizational Chart



Map of FCC Enforcement Bureau's Field Offices



Note: The San Juan and Anchorage offices are not staffed by Full-Time Equivalents (FTEs) on a regular basis.

Strategic Goals and Objectives

Americans count on the FCC to support the connections they need for work, learning, healthcare, and access to the information we require to make decisions about our lives, our communities, and our country. The FCC will pursue policies to deploy affordable broadband for the benefit of all Americans and to promote diversity, equity, inclusion and accessibility. The FCC is also committed to advancing consumer rights, pursuing effective enforcement to protect consumers, and working to enhance competition to improve consumer choice. Furthermore, public safety is paramount to the nation, and the FCC is committed to making sure our communications networks are safe, secure, and resilient. In addition, the FCC will promote investment and advance the development and deployment of new communications technologies in an increasingly competitive global marketplace as we build a foundation for growth and opportunity for the future. The FCC, in accordance with its statutory authority and in support of its mission, has established six strategic goals. They are:

Strategic Goal 1: Pursue a "100 Percent" Broadband Policy

The COVID-19 pandemic put a spotlight on the serious broadband gaps that exist across the country, including in rural infrastructure, affordability for low-income Americans, and at-home access for students. This continuing digital divide means millions of Americans do not have meaningful access to essential infrastructure for 21st century success. In response to the challenges that many Americans face, the agency should advance access to communications that are essential for Americans to work remotely, learn remotely, receive healthcare, and engage in commerce. To this end, the FCC will pursue policies to help bring affordable, reliable, high-speed broadband to 100 percent of the country.

Strategic Goal 2: Promote Diversity, Equity, Inclusion and Accessibility

The FCC will seek to gain a deeper understanding of how the agency's rules, policies, and programs may promote or inhibit advances in diversity, equity, inclusion, and accessibility. The FCC will pursue focused action and investments to eliminate historical, systemic, and structural barriers that perpetuate disadvantaged or underserved individuals and communities. In so doing, the FCC will work to ensure equitable and inclusive access and facilitate the ability of underserved individuals and communities to leverage and benefit from the wide range of opportunities made possible by digital technologies, media, communication services, and next-generation networks. In addition, the FCC recognizes that it is more effective when its workforce reflects the experience, judgement, and input of individuals from many different backgrounds. Advancing equity is core to the agency's management and policymaking processes and will benefit all Americans.

Strategic Goal 3: Empower Consumers

Consumers who are well informed about their rights and what they're buying are more confident and more likely to participate in the digital economy. The FCC will tackle new challenges to consumer rights and opportunities stemming from the COVID-19 pandemic, plans for post-COVID recovery, and digital transitions. The FCC also will pursue effective enforcement and new approaches to protect consumers from unwanted and intrusive communications, phone-based scams, telephone privacy issues, and other trends that affect consumers. The FCC will work to enhance competition and pursue policies that protect the competitive process to improve consumer choice and access to information. The FCC will work to foster a regulatory landscape that advances media competition, diversity, and localism. The FCC also must work to ensure the availability of quality, functionally equivalent communications services for persons with disabilities.

Strategic Goal 4: Enhance Public Safety and National Security

There is no task at the FCC that is more important than keeping the American people safe. The FCC will pursue policies to promote the availability of secure, reliable, interoperable, redundant, and rapidly restorable critical communications infrastructure and services. The FCC also will promote the public's access to reliable 911, emergency alerting, and first responder communications. The FCC will work to ensure the continued availability of timely emergency alerts. The FCC will work in coordination with state, local, and Tribal governments and territorial government partners and industry stakeholders to support disaster response and to ensure the nation's defense and homeland security.

Strategic Goal 5: Advance America's Global Competitiveness

The FCC will take action to promote investment and advance the development and deployment of new communications technologies, such as 5G, that will allow the nation to remain a global leader in an increasingly competitive, international marketplace. The FCC will identify incentives and policies to close security gaps and accelerate trustworthy innovation. The FCC will work with its federal partners to advocate for US interests abroad.

Strategic Goal 6: Foster Operational Excellence

The FCC should be a model for excellence in government by effectively managing its resources, maintaining a commitment to transparent and responsive processes that encourage public involvement and decision-making that best serves the public interest, and encouraging a culture of collaboration both internally and across government agencies.

Strategies & Resources to Achieve Goals

The Commission has identified strategies and resources to achieve its performance goals for each strategic goal. Details on the Commission's strategies and resources for achieving its strategic goals are included in the Commission's strategic plan at: https://www.fcc.gov/about/strategic-plans-budget.

Components of the Commission for Financial Statements Purposes

In addition to the activities directly undertaken by the above bureaus and offices, the Commission's components for financial statement purposes include:

Universal Service Fund (USF) – The Telecommunications Act of 1996 amended the Communications Act of 1934 (Act) to codify and modify the Commission's longstanding policy of promoting universal telecommunications service throughout the nation.[3] Pursuant to section 254(d) of the Act, the Commission established rules and regulations governing how certain telecommunications service providers contribute to the USF and how those monies are disbursed.[4] For budgetary purposes, for FY 2019 and prior years, the USF comprised five elements that consisted of the four USF programs and the Telecommunications Relay Service (TRS) Fund. The four USF programs include: the High Cost Program (also known as the Connect America Fund), the Lifeline Program, the Rural Health Care Program, and the Schools and Libraries Program (also known as E-Rate). Starting with FY 2020, TRS numbers are shown under its own separate account.

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[3] *See* Telecommunications Act of 1996, P. L. No. 104-104, 110 Stat. 56 (1996).

[4] *See* 47 U.S.C. § 254(d).

The Universal Service Administrative Company (USAC) administers the four USF programs and the Connected Care Pilot Program (CCPP) under the Commission's direction. These four programs and the CCPP are funded through mandatory contributions from U.S. telecommunications service providers, including local and long-distance phone companies, wireless and paging companies, payphone providers, and providers of interconnected Voice over Internet Protocol (VoIP) services. The High Cost Program provides funding to eligible service providers to help defray the cost of serving customers in high cost and rural areas. The Lifeline Program provides monthly discounts to help make communications services more affordable for low-income consumers. The Rural Health Care Program provides support for both telecommunications and advanced telecommunications and information services for eligible health care providers. The E-Rate Program provides discounts for telecommunications, Internet access, and internal connections to eligible schools and libraries. Lastly, the CCPP provides support to help defray health care providers' costs of providing connected care services, particularly to low-income Americans and veterans. In FY 2022, the USF accounted for approximately $7,696 million in new available funds on the Commission's Combined Statement of Budgetary Resources. Additional information on USAC and the USF can be found at http://www.usac.org and https://www.fcc.gov/general/universal-service.

Telecommunication Relay Service (TRS) Fund – The TRS Fund represents a program established under section 225 of the Act.[5] This statute provides for a mechanism to support relay services necessary for telecommunications access by speech or hearing-impaired populations. Rolka Loube, LLC (RL) is the administrator for the TRS Fund. The TRS Fund compensates TRS providers for the reasonable costs of providing interstate telephone transmission services that enable a person with a hearing or speech disability to communicate with a person without hearing or speech disabilities. The costs of providing interstate TRS are recovered from subscribers of interstate telecommunications services. In FY 2022, the TRS Fund accounted for approximately $1,267 million in new available funds on the Commission's Combined Statement of Budgetary Resources. Additional information on RL and the TRS Fund can be found at http://www.rolkaloube.com/ and https://www.fcc.gov/general/telecommunications-relay-services-trs.

For further clarification on the financial relationships between the Commission and these components, see Note 1 of the financial statements in Section 2. Also, see the chart below which shows the relative size of the component funds in comparison to the major sources of funds for the Commission.

Affordable Connectivity Fund - Affordable Connectivity Program (ACF-ACP) – The $14,200 million is appropriated for the ACF-ACP under the Infrastructure Investment and Jobs Act, 2021 (Infrastructure Act)[6] to help low-income households pay for broadband services and connected internet devices by providing discounts to eligible recipients. The Infrastructure Act builds on and modifies the Emergency Broadband Benefit Program (EBCF-EBBP) into the longer-term ACF-ACP.

FCC Appropriations – Pursuant to sections 9 and 9A of the Act and the Appropriations Act, the Commission is required by Congress to assess regulatory fees each year in an amount that can reasonably be expected to equal the amount of its annual appropriation. The Commission's appropriations of $382 million reflects the authority for the Commission to collect regulatory fees for FY 2022.

Auctions Program – Pursuant to 47 U.S.C. § 309, the Commission may retain a portion of the spectrum auction proceeds to offset the cost of performing the auction function. The $129 million for the Commission's auctions program is collections from auction revenues used to offset the cost of performing auctions-related activities.

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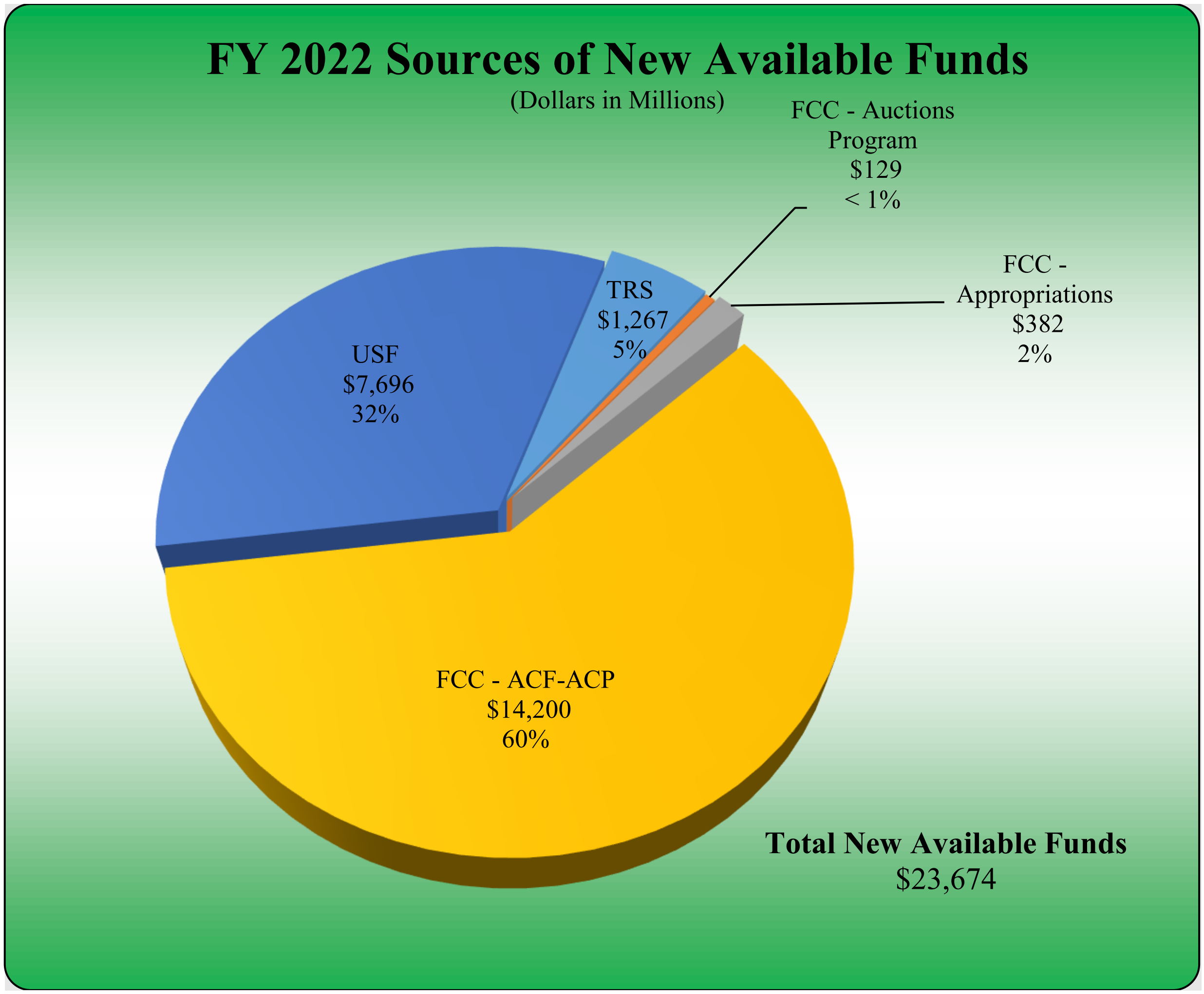
[5] *See* 47 U.S.C. §§ 225(a)(3), (b)(1).
[6] *See* Infrastructure Investment and Jobs Act, 2021, Title V, Sec. 60502, P. L. No.117-58, 135 Stat. 1238 (2021).



As of September 30, 2022, the Commission has the following disclosure entities which do not substantially meet the requirements of consolidated entities.

- Universal Service Administrative Company (USAC)
- National Exchange Carrier Association, Inc. (NECA)
- Local Number Portability Administrator (LNPA) Program

Payment Integrity

In accordance with the Improper Payments Information Act (IPIA) of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010, Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012, and Payment Integrity Information Act (PIIA) of 2019, the Commission has made significant efforts to implement policies and procedures to strengthen internal controls that prevent improper payments. In addition, the Commission oversees a payment recapture program that includes both audits and transaction testing to search for and recapture overpayments. Section 3 of the AFR provides further details on these efforts. Additional information reported by the Commission on Payment Integrity can also be found on https://paymentaccuracy.gov/.

Performance Highlights

PURSUE A "100 PERCENT" BROADBAND POLICY

The COVID-19 pandemic put a spotlight on the serious broadband gaps that exist across the country, including in rural infrastructure, affordability for low-income Americans, and at-home access for students. This continuing digital divide means millions of Americans do not have meaningful access to essential infrastructure for 21st century success. In response to the challenges that many Americans face, the agency should advance access to communications that are essential for Americans to work remotely, learn remotely, receive healthcare, and engage in commerce. To this end, the FCC will pursue policies to help bring affordable, reliable, high-speed broadband to 100 percent of the country.

A key priority for the FCC is to pursue policies to address the existing broadband gaps across the country and to bring affordable, reliable high-speed broadband to all Americans. The FCC used several mechanisms and funding models to increase broadband service, including the Affordable Connectivity Program, the Emergency Connectivity Fund, the Rural Digital Opportunity Fund (RDOF), the COVID-19 Telehealth Program, and the Connected Care Pilot Program.

Affordable Connectivity Program

The Affordable Connectivity Program (ACP) is a $14.2 billion federal initiative that helps low-income American households bridge the connectivity divide. It offers qualifying households discounts of up to $30 per month for broadband service, and up to $75 discount per month if the household is on Tribal lands. Eligible households can also receive a one-time discount of up to $100 to purchase a laptop, desktop computer, or tablet from participating providers if the household contributes more than $10 and less than $50 toward the purchase price. It is a successor program to the Emergency Broadband Benefit Program, which helped almost 9 million afford internet access during the pandemic. Funding support for the Affordable Connectivity Program comes from the Infrastructure Investment and Jobs Act (IIJA). The Universal Service Administrative Company (USAC) is the administrator of the ACP program

The FCC took the following actions regarding the Affordable Connectivity Program:

- Adopted an Order creating the "Your Home, Your Internet" one-year pilot program designed to raise awareness of the Affordable Connectivity Program among households receiving federal housing assistance through the Department of Housing and Urban Development. The Commission has set aside up to $10 million to support pilot-related activities.
- Established the Affordable Connectivity Outreach Grant Program to raise awareness about the Affordable Connectivity Program. Funding for the Outreach Grant Program will come from the $100 million the Commission designated for outreach efforts in its order establishing rules for the program.
- Opened a Notice of Inquiry to evaluate how the Lifeline program and the Affordable Connectivity Program might help survivors of domestic violence and other harmful abuse get access to connectivity services and on whether the programs can be modified to support the connectivity needs of survivors.
- June 8—Proposed rules for collecting data on the price and subscription rates of internet service offerings received by households enrolled in the Affordable Connectivity Program, to comply with a mandate in the IIJA.
- January 14—Adopted a Report and Order and Further Notice providing detailed guidance for the Affordable Connectivity Program.

Emergency Connectivity Fund

The FCC's Emergency Connectivity Fund is a $7.17 billion program to help schools and libraries provide tools and services their communities need for remote learning during the COVID-19 emergency period. The Emergency Connectivity Fund provides relief to millions of students, school staff, and library patrons. The initial application filing window closed on August 13, 2021, the second application filing window closed on October 13, 2021, and the third application filing window closed on May 13, 2022. The USAC is the administrator of the ECF Program, and USAC and the FCC review and process applications on a rolling basis.

As of the end of FY 2022, the Commission has committed over $5.9 billion to schools and libraries across the country as part of the Emergency Connectivity Fund, which launched last year. As of the end of FY 2022, the program has provided support to approximately 10,000 schools, 900 libraries, and 100 consortia, and provided nearly 12 million connected devices and over 7 million broadband connections. Of the over $5.9 billion in funding commitments approved thus far, approximately $4.1 billion is supporting applications from Window 1; $833 million from Window 2; and $947 million from Window 3.

Rural Digital Opportunity Fund

The FCC moved forward with funding new broadband deployments through the RDOF. The Commission also has created the Rural Broadband Accountability Plan, a new effort to monitor and ensure compliance for universal service high-cost programs including the Rural Digital Opportunity Fund.

As of the end of FY 2022, the FCC authorized almost $5.2 billion, the majority of the almost $5.8 billion that was ready to authorize through the Rural Digital Opportunity Fund. The amounts ready to authorize are associated with winning bids attributed to 381 providers to fund new broadband deployments to over 3.2 million estimated locations in 47 states and one territory. The top three states covered by winning bids announced as ready to authorize include Mississippi, approximately $428 million, Michigan, approximately $353 million, and West Virginia, approximately $348 million. This funding supports projects using a range of network technologies, including gigabit service hybrid fiber/fixed wireless deployments that will provide service to end-user locations.

Rural Health Care

February 18—The FCC sought comment on further reforms to the Rural Health Care (RHC) Program rules to promote program efficiency and ensure that rural healthcare providers receive appropriate levels of funding.

Rural Broadband

The FCC voted to create a new Enhanced Competition Incentive Program (ECIP) to establish incentives for wireless licensees to make underutilized spectrum available to small carriers, Tribal Nations, and entities serving rural areas. The action builds upon Congressional goals in the MOBILE NOW Act to incentivize beneficial transactions in the public interest.

The FCC sought comment on a proposal to provide additional universal service support to certain rural carriers in exchange for increasing deployment to more locations at higher speeds. The proposal would make changes to the Alternative Connect America Cost Model (A-CAM) program, with the goal of achieving widespread deployment of faster 100/20 Mbps broadband service throughout the rural areas served by rural carriers currently receiving A-CAM support.

COVID-19 Telehealth Program

The FCC's COVID-19 Telehealth Program supports the efforts of health care providers to continue serving their patients by providing reimbursement for telecommunications services, information services, and connected devices necessary to enable telehealth during the COVID-19 pandemic.

In the FCC's sixth and final funding announcement of Round 2 applications in FY 2022, the FCC approved an additional 100 applications for funding commitments totaling $47.89 million for its COVID-19 Telehealth Program. Round 2 is a $249.95 million federal initiative that builds on the $200 million program established as part of the CARES Act. Over the course of two funding rounds, this program has approved 986 awards to providers in each state, territory, and the District of Columbia.

Connected Care Pilot Program

The FCC announced its fourth and final set of approved Connected Care Pilot Program projects. These 16 projects were approved for a total of $29,752,601 in funding. With the newly selected projects, the Connected Care Pilot Program is set to fund 107 projects serving patients in 40 states plus Washington, D.C. Combined with selections from the first three rounds, these selections bring the cumulative total to approximately $98.2 million in funding for Pilot projects.

Auctions

The FCC announced winning bidders in the 2.5 GHz band auction (Auction 108). In total, 7,872 of the 8,017 offered county-based licenses, or 98% of the total inventory, have been sold, with most of the available spectrum in the 2.5 GHz band located in rural areas. Auction 108 raised gross proceeds exceeding $427 million.

The FCC granted 4,041 flexible-use licenses for wireless services in the 3.45 GHz band to winning bidders in Auction 110. Auction 110 made available 100 megahertz of mid-band spectrum for commercial use across the contiguous United States. The 3.45 GHz auction resulted in gross proceeds exceeding $22.5 billion.

Additional Broadband Related Activities

The FCC's Wireless Telecommunications Bureau granted twenty additional 2.5 GHz spectrum licenses to serve Alaskan Native communities. To date, 292 applications received through last year's FCC Rural Tribal Priority Window have been granted, paving the way for new advanced wireless services – including wireless broadband – for underserved rural Tribal communities.

The FCC adopted a Report on the Future of the Universal Service Fund (Report) as required by Section 60104(c) of the IIJA.

The FCC adopted an order updating rules in the E-Rate program to clarify that Tribal libraries can access funding to provide affordable internet access in their communities.

PROMOTE DIVERSITY, EQUITY, INCLUSION AND ACCESSIBILITY

The FCC will seek to gain a deeper understanding of how the agency's rules, policies, and programs may promote or inhibit advances in diversity, equity, inclusion, and accessibility. The FCC will pursue focused action and investments to eliminate historical, systemic, and structural barriers that perpetuate disadvantaged or underserved individuals and communities. In so doing, the FCC will work to ensure equitable and inclusive access and facilitate the ability of underserved individuals and communities to leverage and benefit from the wide range of opportunities made possible by digital technologies, media,

communication services, and next-generation networks. In addition, the FCC recognizes that it is more effective when its workforce reflects the experience, judgment, and input of individuals from many different backgrounds. Advancing equity is core to the agency's management and policymaking processes and will benefit all Americans.

The FCC published an Equity Action Plan in support of the objectives of the Executive Order 13895. The Equity Action Plan focuses on concrete actions that the FCC is taking so that people across the country can count on and obtain access to the modern communications they need for work, learning, healthcare, and access to the information they require to make decisions about their lives, their communities, and their country. The Equity Action Plan highlighted the FCC's efforts to launch the Affordable Connectivity Program, the Emergency Connectivity Fund, and the FCC's ongoing efforts to continually improve and expand the information provided through its broadband mapping efforts.

Consistent with the Communications Act and as directed by the IIJA, the FCC established a Task Force to Prevent Digital Discrimination and opened a proceeding on how to prevent and eliminate digital discrimination to ensure that everyone has equal access to broadband internet access service. The FCC issued a Notice of Inquiry to start the process of establishing a shared understanding of the harms experienced by historically excluded and marginalized communities, with the intent of making meaningful policy reforms and systems improvements. The FCC adopted a Notice of Inquiry seeking public input on how to implement provisions in the IIJA that require the FCC to combat digital discrimination, and to promote equal access to broadband across the country, regardless of income level, ethnicity, race, religion, or national origin.

EMPOWER CONSUMERS

Consumers who are well informed about their rights and what they're buying are more confident and more likely to participate in the digital economy. The FCC will tackle new challenges to consumer rights and opportunities stemming from the COVID-19 pandemic, plans for post-COVID recovery, and digital transitions. The FCC also will pursue effective enforcement and new approaches to protect consumers from unwanted and intrusive communications, phone-based scams, telephone privacy issues, and other trends that affect consumers. The FCC will work to enhance competition and pursue policies that protect the competitive process to improve consumer choice and access to information. The FCC will work to foster a regulatory landscape that advances media competition, diversity, and localism. The FCC also must work to ensure the availability of quality, functionally equivalent communications services for persons with disabilities.

Robocall Related Actions

The FCC continued to act aggressively to target and eliminate unlawful robocalls:

- The FCC proposed new rules and sought comment on applying caller ID authentication standards to text messaging. It proposed requiring mobile wireless providers to block texts, at the network level, that purport to be from invalid, unallocated, or unused numbers, and numbers on a Do-Not-Originate list. The FCC also sought input on other actions the Commission might take to address illegal texts, including enhanced consumer education. May 19—The FCC adopted rules to stop illegal robocalls that originate overseas from entering American phone networks. The new rules on gateway providers institute stringent compliance requirements to ensure that these providers comply with STIR/SHAKEN caller ID authentication protocols and require that they take additional measures to validate the identity of the providers whose traffic they are routing.
- The FCC shortened the amount of time afforded to certain small voice service providers for implementing caller ID authentication using the STIR/SHAKEN framework.

- The FCC announced new robocall investigation partnerships with the Attorneys General of Iowa, Florida, Louisiana, Maine, Massachusetts, Mississippi, Nevada, New Hampshire, and South Carolina. Thirty-six States and the District of Columbia have signed Memoranda of Understanding to share evidence, coordinate investigations, pool enforcement resources, and work together to combat illegal robocall campaigns and protect American consumers from scams.

The FCC undertook the following enforcement actions with respect to robocalls:

- The Enforcement Bureau ordered phone companies to stop carrying traffic regarding a known robocall scam marketing auto warranties targeting billions of consumers.
- The FCC proposed a $116,156,250 fine for robocalls made in an apparent toll-free traffic pumping robocalling scheme. The nearly 10 million robocalls were apparently made to generate toll-free dialing fees for the robocaller.
- The FCC proposed a $45 million fine against a company that conducted an apparently illegal robocall campaign to sell health insurance under the pretense that the annual enrollment period had been reopened due to the coronavirus pandemic. This is the largest Telephone Consumer Protection Act (TCPA) robocall fine ever proposed by the Commission.
- The FCC sent cease-and-desist letters to more than a dozen voice service providers suspected of facilitating illegal robocall traffic. All providers responded and committed to take actions to stop the flow of robocalls on their networks.
- The FCC took action to ensure that voice service providers meet their commitments and obligations to implement STIR/SHAKEN standards to combat spoofed robocall scams. Specifically, two voice service providers lost a partial exemption from STIR/SHAKEN because they failed to meet STIR/SHAKEN implementation commitments and have been referred to the FCC's Enforcement Bureau for further investigation.
- The FCC sent cease-and-desist letters to three network providers demanding that these providers immediately cease originating illegal robocall campaigns on their networks, many of which originated overseas, and report to the FCC the steps they are implementing to prevent a recurrence of these operations.

Additional Enforcement Actions

The FCC undertook a number of enforcement actions and investigations in fulfilling its mission to enforce the Commission's rules and protect consumers from illegal or unfair practices. Results of those actions and investigations included:

- A proposed forfeiture of $3,374,000 against 21 broadcast television licensees for apparently violating rules limiting commercial matter in children's programming.
- A fine of $685,338 against a seller of audio and video electronics and accessories for marketing thirty-two noncompliant radio frequency device models, specifically wireless microphones.
- The FCC upheld a $22,000 fine for use of a signal jammer in Dallas, Texas.

The FCC's Enforcement Bureau took the following actions:

- A proposed fine of $100,000 against a company for failing to adequately and promptly respond to an inquiry as part of an FCC investigation into an alleged security flaw in the company's app, which may have permitted unauthorized access to consumer proprietary information.
- Proposed fines of $4,353,774 against 73 applicants and two bidding consortia in the RDOF auction (Auction 904) for apparently violating Commission requirements by defaulting on their bids.
- A proposed fine of $100,000 against a telecommunications carrier for apparently violating its obligation to provide the Enforcement Bureau with information necessary to determine whether the company's visual voicemail service is accessible to persons with disabilities.

- A proposed forfeiture of $220,210 against a communications company for apparently willfully and repeatedly engaging in conduct that violated the federal wire fraud statute and the Commission's rules with respect to the Emergency Broadband Benefit Program.
- A proposed $34,000 fine for apparently interfering with radio communications that were guiding fire suppression aircraft combating the 2021 "Johnson fire" near Elk River, Idaho.
- A proposed forfeiture of $100,000 against a broadband provider for repeatedly engaging in prohibited communications of its bidding and bidding strategies during the Commission's RDOF Auction (Auction 904), and its failure to timely report such prohibited communications.
- A proposed fine of $660,639 against a telecommunications company for apparently exceeding statutory limits for ownership by foreign individuals or entities holding equity or voting interests in FCC-issued licenses without Commission approval.

The FCC's Enforcement Bureau took the following actions with respect to settlements and consent decrees:

- Reached a settlement with a communications company to resolve an investigation into the company's practices for determining rural rates and retention of RHC documents. The company will pay a settlement amount of $1,204,445, which includes a $200,000 civil penalty, and implement enhanced compliance measures in connection with its participation in the RHC Program.
- The FCC and DOJ reached a $13.4 million settlement with a wireless company in connection with violations of FCC Lifeline program rules. The settlement resolves allegations that the company violated the False Claims Act by signing up more than 175,000 ineligible customers for the Lifeline program.
- Settled five investigations into communications providers' compliance with the FCC's 911 reliability rules during network outages. The combined settlement payments total more than $6 million.
- Settled with a communications company and its wholly-owned subsidiary, to resolve investigations into their practices as a provider of Internet Protocol Captioned Telephone Service (IP CTS), an internet-based form of Telecommunications Relay Services (TRS). In addition to paying a $12.5 million civil penalty, the company will reimburse $28 million to the TRS Fund, and enter into a compliance plan. This action represents the largest recovery of monies for the TRS Fund and the largest fine for violations of the TRS rules.
- Entered into a Consent Decree to resolve an investigation into whether a telecommunications company failed to comply with the FCC's 911 rules. The company agreed to pay a $19,500,000 settlement payment and implement a compliance plan.
- Announced eight settlements with covered 911 service providers, which will pay penalties for failing to timely file their required 911 service reliability certification in 2020. Companies agreed to pay penalties ranging from $3,500 to $7,500.

Additional Consumer Related Actions

The FCC adopted rules to require inmate calling services providers to provide access to all relay services eligible for Telecommunications Relay Services fund support in any correctional facility that is located where broadband is available and is part of a correctional system with 50 or more incarcerated people. The rule also restricts provider charges for relay services and point-to-point video calls.

The FCC proposed rules that would require broadband providers to display easy-to-understand labels to allow consumers to comparison shop for broadband services.

The FCC adopted rules to expand access to the National Suicide Prevention Lifeline by establishing the ability to text 988 to directly reach the Lifeline to better support at-risk communities in crisis, including youth and individuals with disabilities.

ENHANCE PUBLIC SAFETY AND NATIONAL SECURITY

The FCC will pursue policies to promote the availability of secure, reliable, interoperable, redundant, and rapidly restorable critical communications infrastructure and services. The FCC also will promote the public's access to reliable 911 and emergency alerting, and support public safety's access to first responder communications. The FCC will work in coordination with state, local, and Tribal governments and territorial government partners, and industry stakeholders to support disaster response and to ensure the nation's defense and homeland security.

The FCC took several actions to improve public safety and national security:

- The FCC updated its Emergency Alert System (EAS) rules to require broadcasters, cable systems, and other EAS participants to transmit the Internet-based version of alerts to the public when available, rather than transmit the legacy version of alerts.
- The FCC launched an examination into the state of technology that can more precisely route wireless 911 calls to the proper 911 call center, which could result in faster response times during emergencies.
- The FCC updated its priority services rules to clarify service providers' authorization to prioritize data, video, and IP-based voice services for eligible users on a voluntary basis, and removed outdated requirements that may cause confusion or impede the use of IP-based technologies.
- The FCC proposed to strengthen the effectiveness of Wireless Emergency Alerts, including through public reporting on the reliability, speed, and accuracy of these messages.
- The FCC adopted an Order ending the ability of China Unicom (Americas) Operations Limited to provide domestic interstate and international telecommunications services within the United States.

ADVANCE AMERICA'S GLOBAL COMPETITIVENESS

The FCC will take action to promote investment and advance the development and deployment of new communications technologies, such as 5G, that will allow the nation to remain a global leader in an increasingly competitive, international marketplace. The FCC will identify incentives and policies to close security gaps and accelerate trustworthy innovation. The FCC will work with its federal partners to advocate for US interests abroad.

The FCC announced the signing of an updated Memorandum of Understanding (MOU) with the Body of European Regulators for Electronic Communications (BEREC) that expands this current partnership, with a new focus on combating unwanted robocalls and the promotion of 5G, 6G, and beyond.

The FCC opened Notices of Inquiry in the following areas:

- To examine the opportunities and challenges of space missions like satellite refueling, inspecting and repairing in-orbit spacecraft, capturing and removing debris, and transforming materials through manufacturing while in space. The proceeding will also review the spectrum needs of these missions, implications on the FCC's orbital debris rules, and any unique regulatory issues presented by In-space servicing, assembly, and manufacturing activities beyond Earth's orbit.
- To begin gathering information on the possible current and future needs, uses, and impacts of offshore wireless spectrum use. With wind turbine projects, cruise ships, oceanography, and other offshore projects possibly benefiting from increased spectrum access and updated spectrum management guidelines, the Notice of Inquiry sought comment on how best to address these needs and input on the possible future demand and use cases for offshore spectrum.
- To explore options for promoting improvements in radio frequency receiver performance, including through use of incentives, industry-led voluntary approaches, Commission policy and guidance, or regulatory requirements.

The FCC adopted new rules requiring satellite operators in low-Earth orbit to dispose of their satellites within 5 years of completing their missions. The new rules shorten the decades-old 25-year guideline for deorbiting satellites post-mission and will also afford satellite companies a transition period of two years.

The FCC proposed revisions to its rules for spectrum sharing among non-geostationary satellite orbit, fixed-satellite service systems. The proposed revisions would seek to facilitate the deployment of the new generation of low-Earth orbit satellite systems, including new competitors.

The FCC approved the transfer of control of TracFone Wireless from América Móvil to Verizon Communications.

The FCC approved an application from The Boeing Company for a license to construct, deploy, and operate a satellite constellation.

The FCC proposed rules that would modify the intercarrier compensation regime to address ongoing harmful arbitrage practices that raise costs for long-distance carriers and their customers. The Commission sought comment on proposed changes to its Access Stimulation Rules to ensure that they apply to traffic that terminates through providers of IP-enabled services.

FOSTER OPERATIONAL EXCELLENCE

The FCC should be a model for excellence in government by effectively managing its resources, maintaining a commitment to transparent and responsive processes that encourage public involvement and decision-making that best serves the public interest, and encouraging a culture of collaboration both internally and across government agencies.

The FCC sought comment on updates to rules for full power and Class A stations which reflect the digital transition and completion of the post-incentive auction, current technology, and/or Commission practices. This item marks the first comprehensive review of Part 73 since the digital transition.

The FCC sought comment on improving transparency and efficiency in the competitive bidding process for the E-Rate program. The proposal would require bids for E-Rate services and equipment to be uploaded into a centralized document portal managed by USAC.

The FCC updated its political programming and recordkeeping rules for broadcast licensees, cable television system operators, Direct Broadcast Satellite service providers, and Satellite Digital Audio Radio Service licensees.

The FCC updated its rules in the E-Rate program to clarify that Tribal libraries can access funding to provide affordable internet access in their communities. The Order updates the definition of "library" in the E-Rate program rules to make clear that it includes Tribal libraries, resolving a longstanding issue that limited their access to affordable broadband connectivity through the program.

The FCC updated Part 74 rules for low power television (LPTV) and TV translator services (collectively "LPTV/translator") to reflect the current operating environment, including the termination of analog operations in the LPTV/translator service as of July 13, 2021.

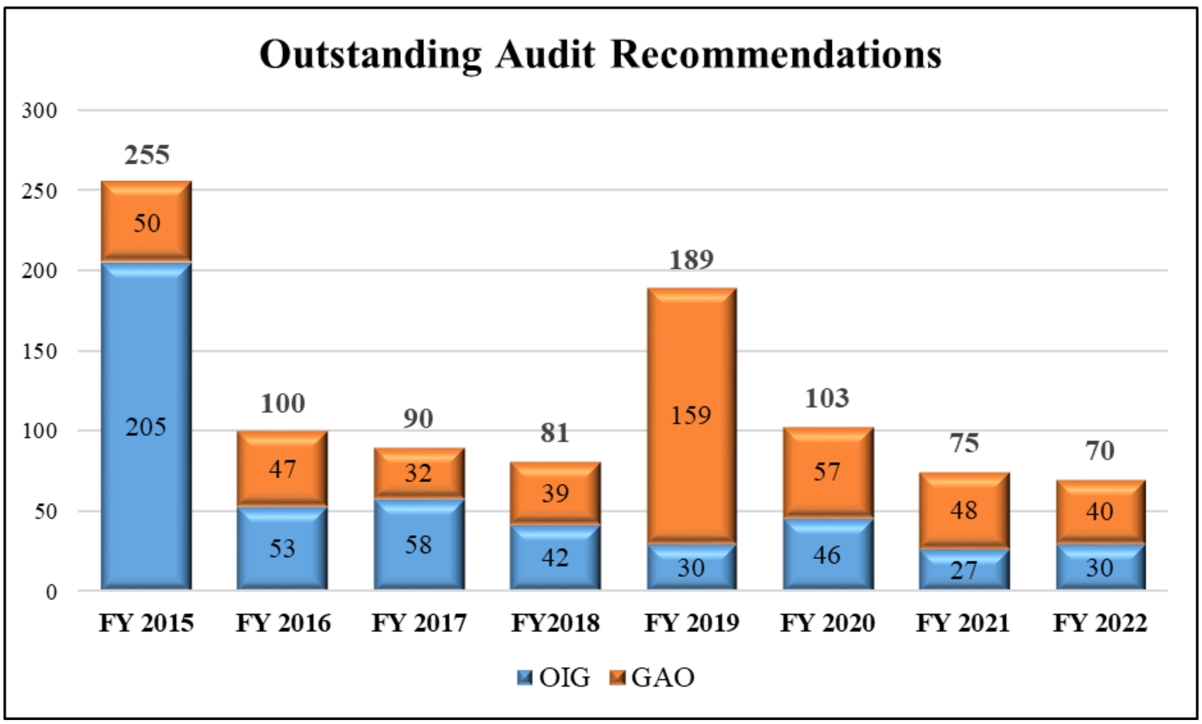
The FCC proposed updating its rules to ensure TV stations and pay TV providers are using the same data to determine which stations are "local." The proposed updates would remove outdated publications from the FCC's rules, and replace them with Nielsen's monthly Local TV Station Information Report.

The FCC updated its rules by eliminating or amending outdated or unnecessary broadcast radio regulations contained in the Code of Federal Regulations. The Order gives FM and Low Power FM (LPFM) applicants using directional antennas the option of verifying the directional pattern through the use of computer modeling.

Overall Status of Audit Recommendations

The chart below shows the number of audit recommendations outstanding, both public and non-public, from various audits conducted by FCC's Office of Inspector General (OIG) and the Government Accountability Office (GAO) as of September 30, 2022. The numbers shown below exclude those recommendations for which the Commission has already submitted information to GAO and OIG requesting closure of the recommendation. The count also excludes those recommendations that the Commission has determined to be closed as not implemented. In FY 2022, the Commission implemented (closed) 51 outstanding recommendations, received 46 new recommendations, and finished the fiscal year with a total of 70 open recommendations. In FY 2019, there was a large number of new recommendations received just before the fiscal year end, which led to the increased number of open recommendations in that fiscal year.

As can be seen by the reduction of open recommendations at the end of FY 2022, the Commission has been actively working to implement (close) open recommendations as quickly as possible. The Commission will continue to work as quickly as possible to implement (close) the outstanding recommendations.



Management Assurances

MANAGEMENT ASSURANCES PURSUANT TO THE FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT OF 1982 (FMFIA)

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) establishes overall requirements with regard to internal control. FMFIA requires agencies to establish controls that reasonably ensure that: (i) obligations and costs are in compliance with applicable laws; (ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports, and to maintain accountability over assets. Pursuant to FMFIA's requirements, agencies must annually evaluate their system of internal controls and report on the results of those evaluations through management assurance statements.

In accordance with Office of Management and Budget (OMB) guidance related to FMFIA, OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, the Commission maintains internal controls for financial and management reporting that provide reasonable assurance that the consolidated financial statements fairly present information related to assets, liabilities, and net position and do not contain material misstatements. Transactions are executed in accordance with budgetary and financial laws, consistent with the Commission's statutory requirements, and are recorded in accordance with Federal accounting standards. Additionally, assets are properly acquired, used, and safeguarded to deter theft, accidental loss or unauthorized disposition, and fraud. Furthermore, the Commission's internal controls provide for the reliability and completeness of its financial and performance data.

The FY 2022 auditors' report identified a significant deficiency in Information Technology controls collectively related to risk management, configuration management, identify and access management, and information security continuous monitoring. The Commission will make every effort in FY 2023 to implement corrective action plans for each of the recommendations associated with these findings to avoid any repeat findings in these areas.

Status of Internal Controls – Section 2 of FMFIA

During FY 2022, the Commission continued its efforts to improve and strengthen its internal controls over operations and financial reporting by building upon continuing improvements to its risk assessment processes. The Commission implemented risk assessment tools to update its pre-existing processes for internal control evaluation, both at the Commission and at its reporting components, USF and TRS. The Commission's updated risk assessment process integrates the latest versions of the Government Accountability Office's (GAO), *Standards for Internal Control in the Federal Government* (Green Book), as well as OMB's Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Utilizing GAO's Green Book as a blueprint, the Commission implemented an entity level risk assessment tool that is completed each fiscal year by its Bureaus and Offices as well as its reporting components. Furthermore, utilizing the GAO's Fraud Risk Framework the Commission initiated Fraud Risk Assessments for its new programs: Emergency Connectivity Fund, the Secure & Trusted Communications Network Reimbursement Program, and the Affordable Connectivity Program.

In FY 2022, the Senior Management Council (SMC) continued its oversight of the Commission's entity and program level risk assessments as part of its overall Enterprise Risk Management (ERM) process pursuant to OMB Circular A-123. The SMC includes representatives from across the Commission's Bureaus and Offices to more fully integrate the Commission's internal control assessment processes into the operations of the Bureaus and Offices while also identifying, monitoring, and mitigating risks throughout the year. While the Commission has received unmodified opinions over its consolidated financial statements for the seventeenth consecutive year, the Commission understands that maintaining proper internal control requires continuous review of its internal controls and implementing improvements to them on an ongoing basis.

Financial Management Systems – Section 4 of FMFIA

Section 4 of FMFIA and the *Federal Financial Management Improvement Act of 1996* (FFMIA) require management to ensure the agency's financial management systems provide reliable, consistent disclosure of financial data and conform to government-wide requirements. In FY 2022, the Commission's financial management systems were in compliance with government-wide requirements. The Commission continues to work with its reporting components on their financial systems.

Statement of Assurance

Commission management is responsible for managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of FMFIA. The Commission conducted its assessment of risk and internal control in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, the Commission can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively and financial management systems conform to government-wide standards as of September 30, 2022.

Jessica Rosenworcel
Chairwoman
November 15, 2022

Financial Management Systems Strategy

The Commission's financial management system, Genesis, is a Momentum based product that serves as the financial accounting system of record and provides for the core accounting services of the Commission. These services include: funds control, budget execution, general ledger, accounts payable, accounts receivable, financial reports, and access controls. Genesis facilitates compliance with the Federal Managers' Financial Integrity Act (FMFIA), and the maintenance of an unmodified financial audit opinion. In support of the Treasury G-Invoicing Initiative and the IRS Employer Identification Number Initiative (EIN,) along with other enhancements, the Commission continued to optimize the financial management system through a Genesis upgrade in FY 2022.

Genesis continues to support the accounting for the spectrum auctions program at the Commission, including the activities under the Spectrum Act, which provides for the reimbursement of relocation expenses for eligible entities. The Commission Registration System (CORES) allows eligible entities to seek reimbursement and enter their banking information into CORES online, and allows an entity to view their available balance for reimbursement along with the history of payments made to the entity. Additionally, Genesis supports efficiency initiatives, including the Invoice Processing Platform (IPP), which reduces the paper chain associated with the document review process and reduces, and/or eliminates, instances of duplicate data entry. Genesis also provides self-service capability for the Bureaus and Offices to execute accounting functions, including business analytics for decision making.

In support of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), the Consolidated Appropriations Act, 2021 (P.L. 116-260), the American Rescue Plan Act of 2021 (P.L. 117-2), and the Infrastructure Investment and Jobs Act, 2021 (P.L. 117-58), the Commission leveraged the scalable functionality of Genesis and IPP to quickly accommodate updates for five new programs—COVID-19 Telehealth Program (Round 2), Emergency Broadband Connectivity Fund – Emergency Broadband Benefit Program, Emergency Connectivity Fund, the Secure & Trusted Communications Network Reimbursement Program, and the Affordable Connectivity Program—mandated to the Commission under these laws. Financial Operations systems continue to take on an expanding role in support of the Commission's mission, including these five new programs. Additional financial system activities continue to support these new programs in the areas of: eligibility determinations of requested services and items, applicant registration process, applicant registration with the federal System for Award Management (SAM), utilization of the Treasury's Do Not Pay (DNP) system, and processing applicants' reimbursement requests.

The Commission continues to optimize financial management system controls through ongoing monitoring reviews, business process engineering initiatives and implementation of best practices, including the hosting of Genesis in a Cloud environment. In FY 2022, additional Commission financial legacy systems were decommissioned, continuing to decrease operations and maintenance costs and supporting modernization initiatives. Additionally, the Commission continues to maintain a steady state within the core financial system and fully utilizes Genesis' features and functions, aligning financial system activities with the Commission's business management goals. The Commission's financial management system strategy continues to build on processes that: improve internal controls; increase integration; implement tools that enhance budget formulation and performance; and improve financial coordination with our reporting components.

Financial Discussion and Analysis

UNDERSTANDING THE FINANCIAL STATEMENTS

The Commission is committed to excellence and accuracy in financial reporting, transparency, and financial management. Preparing the Commission's financial statements is part of the goal to improve financial management and provide accurate and reliable financial information that is useful for assessing performance and allocating resources. The Commission's management is responsible for the integrity and objectivity of the information presented in the financial statements. For the seventeenth consecutive year, the financial statements have received an unmodified or clean audit opinion from the independent external auditors hired by the Office of Inspector General.

The principal financial statements have been prepared to report the financial position and results of operations of the Commission. The statements have been prepared from the books and records of the Commission, in accordance with U.S. generally accepted accounting principles (GAAP) for federal entities. The financial statements and notes are presented in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements—Revised*, dated June 3, 2022.

This section presents a summary analysis of key financial statement core business activities. The principal financial statements include the Consolidated Balance Sheet, the Consolidated Statement of Net Cost, the Consolidated Statement of Changes in Net Position and Custodial Activity, and the Combined Statement of Budgetary Resources. This section also summarizes the financial activity and net position of the Commission. The complete set of principal financial statements is included in Section 2 of this report.

A summary of the Commission's major financial activities in Fiscal Years (FYs) 2022 and 2021 is presented in the table on the next page. This table represents the resources available for use (assets) against the amount owed (liabilities) and the amount that comprises the difference (net position). The net cost represents the gross cost of operating the Commission's lines of business less earned revenue. Budgetary resources represent funds made available to the Commission.

CHANGES IN FINANCIAL POSITION IN FY 2022
Consolidated
(Dollars in Thousands)

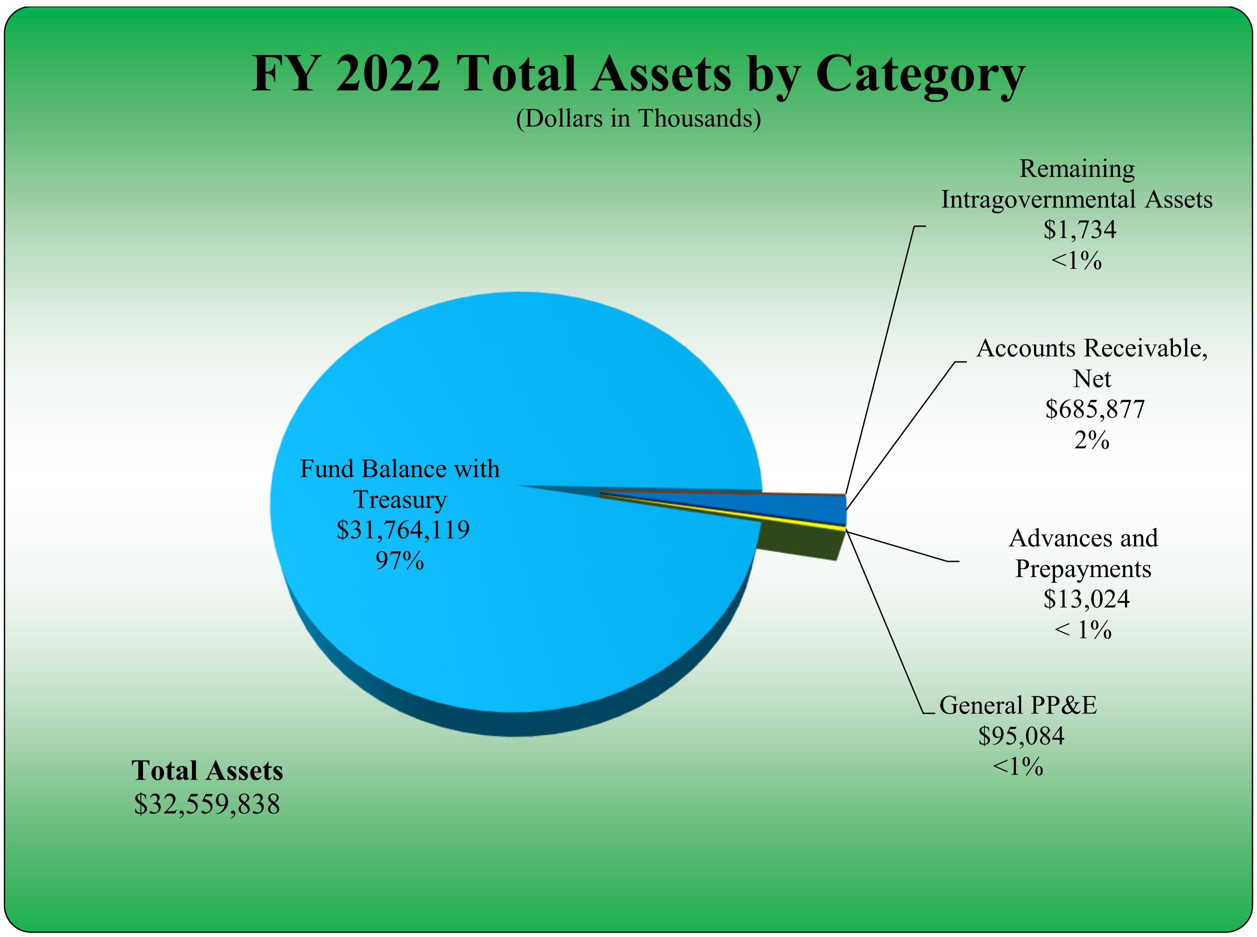
Net Financial Condition		**FY 2022**	**FY 2021**	**Increase (Decrease)**	**Percentage Change**
Intragovernmental					
Fund Balance with Treasury	$	31,764,119	$ 105,212,774	$ (73,448,655)	-70%
Accounts Receivable, net		8	361	(353)	-98%
Advances and Prepayments		1,726	1,639	87	5%
Total Intragovernmental	$	31,765,853	$ 105,214,774	$ (73,448,921)	-70%
Other than intragovernmental:					
Accounts Receivable, net		685,877	823,087	(137,210)	-17%
General Property, Plant and Equipment, net		95,084	84,202	10,882	13%
Advances and Prepayments		13,024	18,024	(5,000)	-28%
Total other than intragovernmental	$	793,985	$ 925,313	$ (131,328)	-14%
Total Assets	**$**	**32,559,838**	**$ 106,140,087**	$ (73,580,249)	-69%
Intragovernmental					
Accounts Payable	$	103	$ 1,402	$ (1,299)	-93%
Liability to the General Fund of the U.S. Government for custodial and other non-entity assets		3,114,831	84,234,840	(81,120,009)	-96%
Other liabilities		4,307	3,868	439	11%
Total Intragovernmental	$	3,119,241	$ 84,240,110	$ (81,120,869)	-96%
Other than intragovernmental:					
Accounts Payable	$	992,321	$ 828,732	$ 163,589	20%
Federal Employee Benefits Payable		24,822	26,503	(1,681)	-6%
Advances from Others and Deferred Revenue		505,520	153,756	351,764	229%
Prepaid Contributions		102,265	44,563	57,702	129%
Accrued Liabilities for USF and TRS		596,528	490,897	105,631	22%
Deposit/Unapplied liability		2,509	606,917	(604,408)	-100%
Other		26,459	23,362	3,097	13%
Total other than intragovernmental	$	2,250,424	$ 2,174,730	$ 75,694	3%
Total Liabilities	**$**	**5,369,665**	**$ 86,414,840**	$ (81,045,175)	-94%
Unexpended Appropriations-Funds from Dedicated Collections	$	759,909	$ 819,020	$ (59,111)	-7%
Unexpended Appropriations-Funds from other than Dedicated Collections		19,526,104	11,728,689	7,797,415	66%
Total Unexpended Appropriations		20,286,013	12,547,709	7,738,304	62%
Cumulative Results of Operations-Funds from Dedicated Collections		6,642,083	6,948,472	(306,389)	-4%
Cumulative Results of Operations-Funds from other than Dedicated Collections		262,077	229,066	33,011	14%
Total Cumulative Results of Operations		6,904,160	7,177,538	(273,378)	-4%
Total Net Position	**$**	**27,190,173**	**$ 19,725,247**	$ 7,464,926	38%
Total Liabilities and Net Position	**$**	**32,559,838**	**$ 106,140,087**	$ (73,580,249)	-69%
Net Cost of Operations	**$**	**15,492,591**	**$ 11,142,853**	$ 4,349,738	39%
Total Budgetary Resources	**$**	**27,383,360**	**$ 15,824,908**	$ 11,558,452	73%

The following is a brief description of the nature of each required financial statement and its relevance, including a description of certain significant balances on Commission operations.

Consolidated Balance Sheet: The Consolidated Balance Sheet presents the total amounts available for use by the Commission (total assets) and the amounts owed by the Commission (total liabilities). Fund Balance with Treasury represents 97 percent of total assets as of September 30, 2022.

The pie chart below presents the total assets of the Commission as of September 30, 2022. The Fund Balance with Treasury of $31,764 million is primarily related to the Universal Service Fund (USF), Telecommunications Relay Services (TRS), the Affordable Connectivity Fund – Affordable Connectivity Program (ACF-ACP), the Emergency Connectivity Fund (ECF), the Supply Chain Reimbursement Program (SCRP), and the spectrum auctions program.

The Accounts Receivable balance of $686 million is primarily due to USF receivables totaling $632 million.



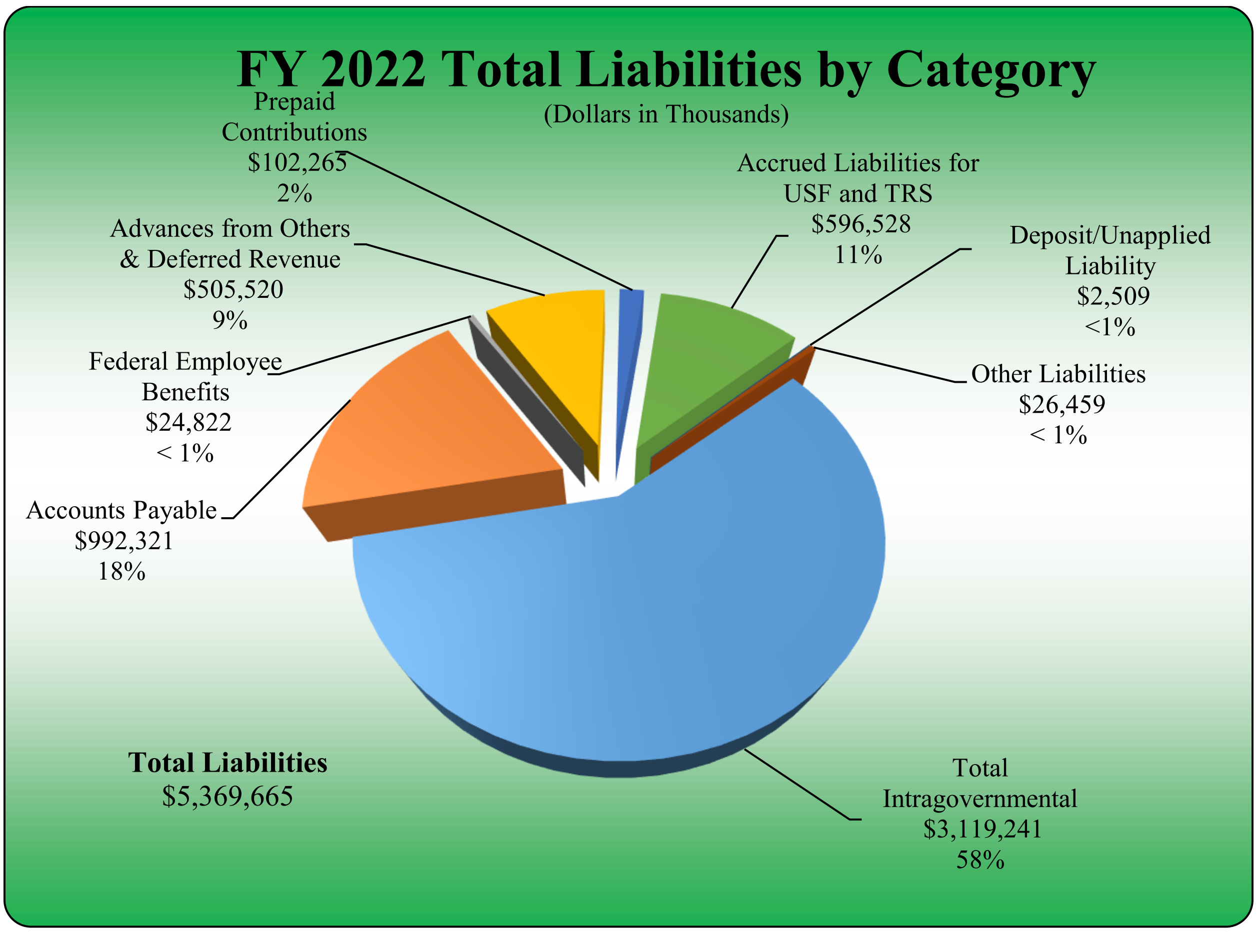
The pie chart below presents the total liabilities of the Commission as of September 30, 2022. The Commission's most significant liabilities are Total Intragovernmental of $3,119 million and Accounts Payable of $992 million, which accounted for 76 percent of total liabilities as of September 30, 2022.

The Total Intragovernmental is primarily composed of custodial collections earned from spectrum auctions program and miscellaneous receipts.

The Accounts Payable balance is primarily comprised of the expense accrual for the TV Broadcasters Relocation Fund (TVBRF), ACF-ACP, ECF, SCRP, Sandwich Isles Communications, the Alternative Connect American Cost Model (A-CAM), A-CAM II support, and the Rural Digital Opportunity Fund (RDOF).

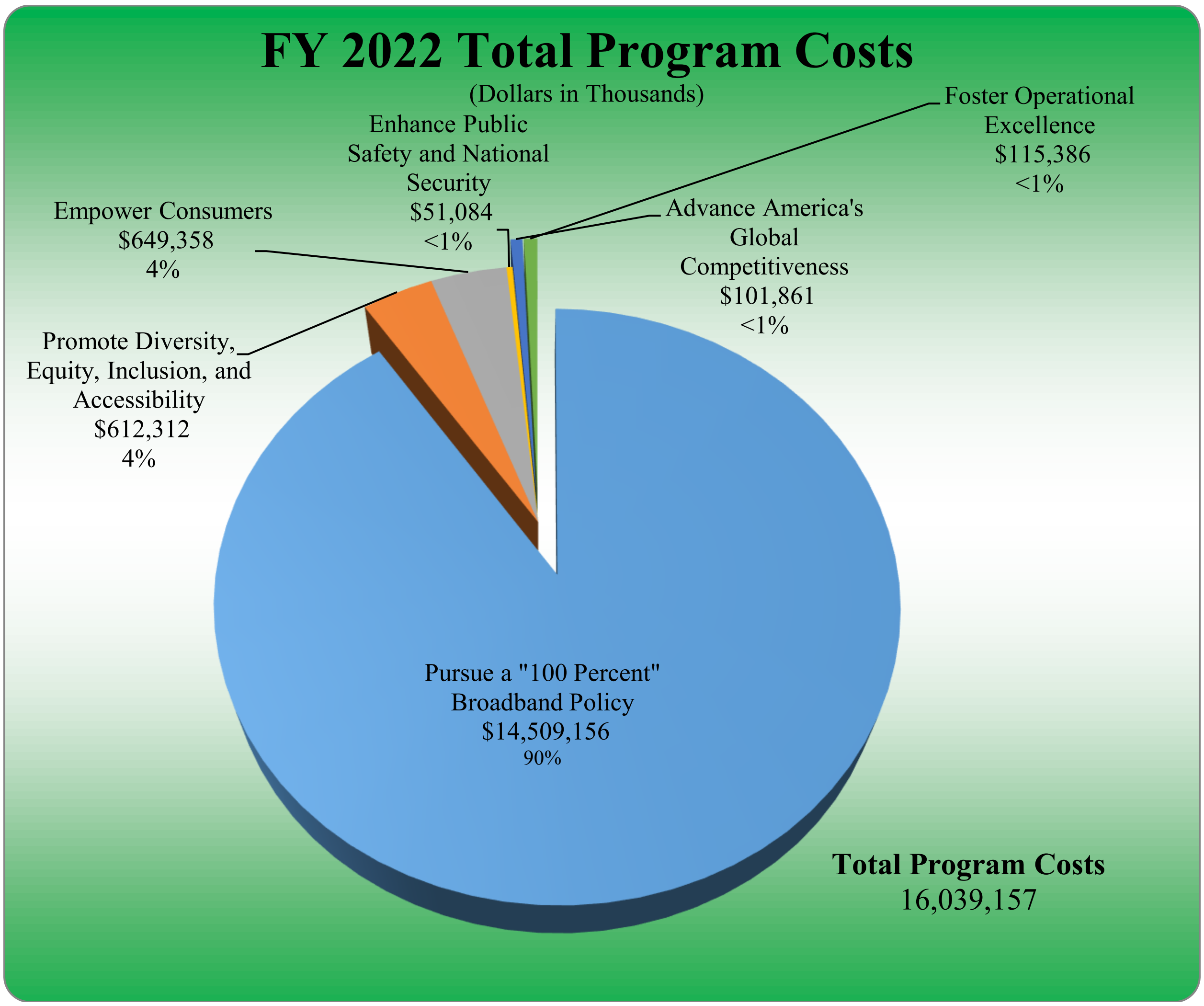
The Accrued Liabilities for USF and TRS represent the expected October (FY 2023) payments for the USF's High Cost Legacy Support, Lifeline Program, and the expected October and November (FY 2023) payments for the TRS Program.

The Advances from Others and Deferred Revenue balance is mainly due to spectrum auction 108 winning bids of licenses that have not been granted as of September 30, 2022.



Consolidated Statement of Net Cost: This statement presents the annual cost of operating the Commission's programs. The Consolidated Statement of Net Cost is aligned with the six strategic goals of the Commission: (1) Pursue a "100 Percent" Broadband Policy; (2) Promote Diversity, Equity, Inclusion, and Accessibility; (3) Empower Consumers; (4) Enhance Public Safety and National Security; (5) Advance America's Global Competitiveness; and (6) Foster Operational Excellence. Gross program costs for each goal are presented individually while revenue is presented in total rather than by goal. The program costs for the USF are allocated to the strategic goal Pursue a "100 Percent" Broadband Policy, and the program costs for the TRS are allocated to strategic goals Promote Diversity, Equity, Inclusion and Accessibility and Empower Consumers. Due to the cost allocation for USF, Emergency Broadband Connectivity Fund - Emergency Broadband Benefit Program (EBCF-EBBP), ACF-ACP, and ECF, the cost for the strategic goal Pursue a "100 Percent" Broadband Policy is significantly higher than the cost of other strategic goals. Contributions received for the USF and TRS programs are shown on the Statement of Changes in Net Position and do not directly offset the costs of these programs on the Statement of Net Cost.

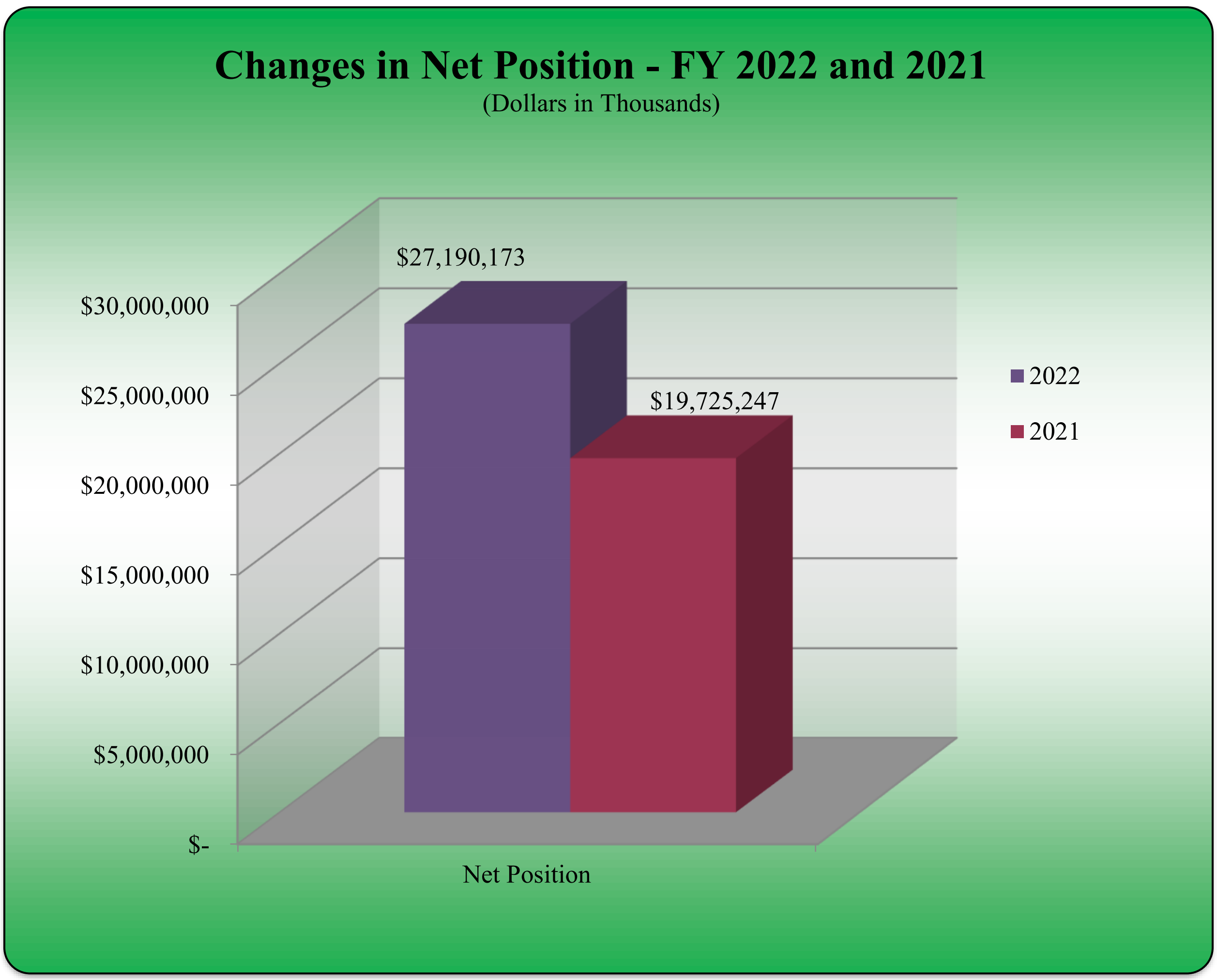
The pie chart below presents the total program costs of each strategic goal.

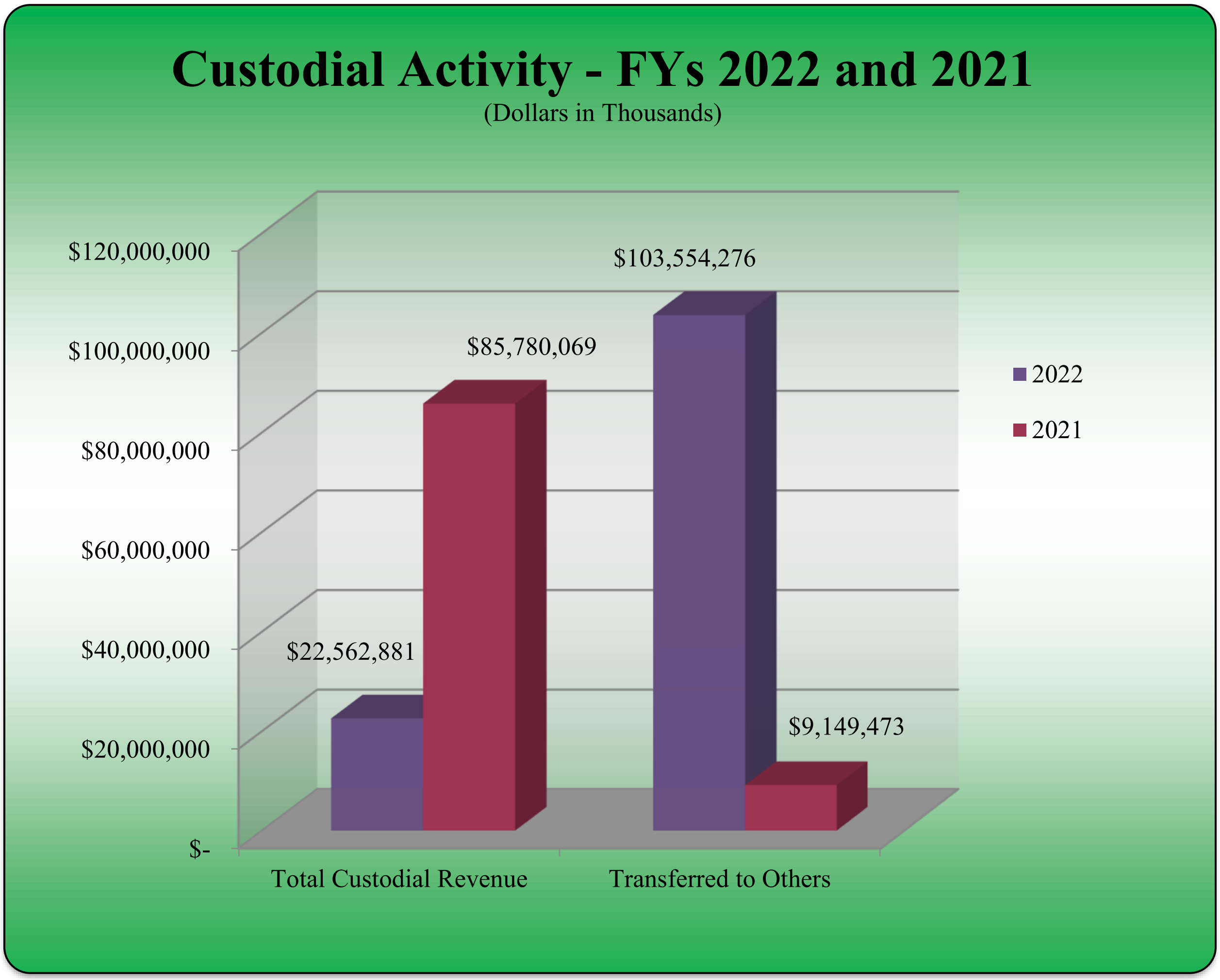


Consolidated Statement of Changes in Net Position and Custodial Activity: This statement presents the Commission's net position and its custodial activity. In FY 2022, the Commission's Net Position increased $7,465 million or 38 percent to $27,190 million compared to the net position of $19,725 million for FY 2021.

In FY 2022, the Commission recognized $22,563 million in custodial revenue and transferred $81,089 million from auction 107 and $48 million in miscellaneous receipts, fines, and penalties to the Treasury General Fund. In addition, the Commission transferred $22,418 million from auction 110 to Spectrum Relocation Fund administered by Office of Management and Budget (OMB). In FY 2021, the Commission transferred $4,476 million from auction 103 to the Public Safety Trust Fund managed by the National Telecommunication and Information Administration (NTIA) and $4,466 million from auction 105 to Spectrum Relocation Fund. In addition, the Commission transferred $207 million from miscellaneous receipts, fines, and penalties to the Treasury General Fund.

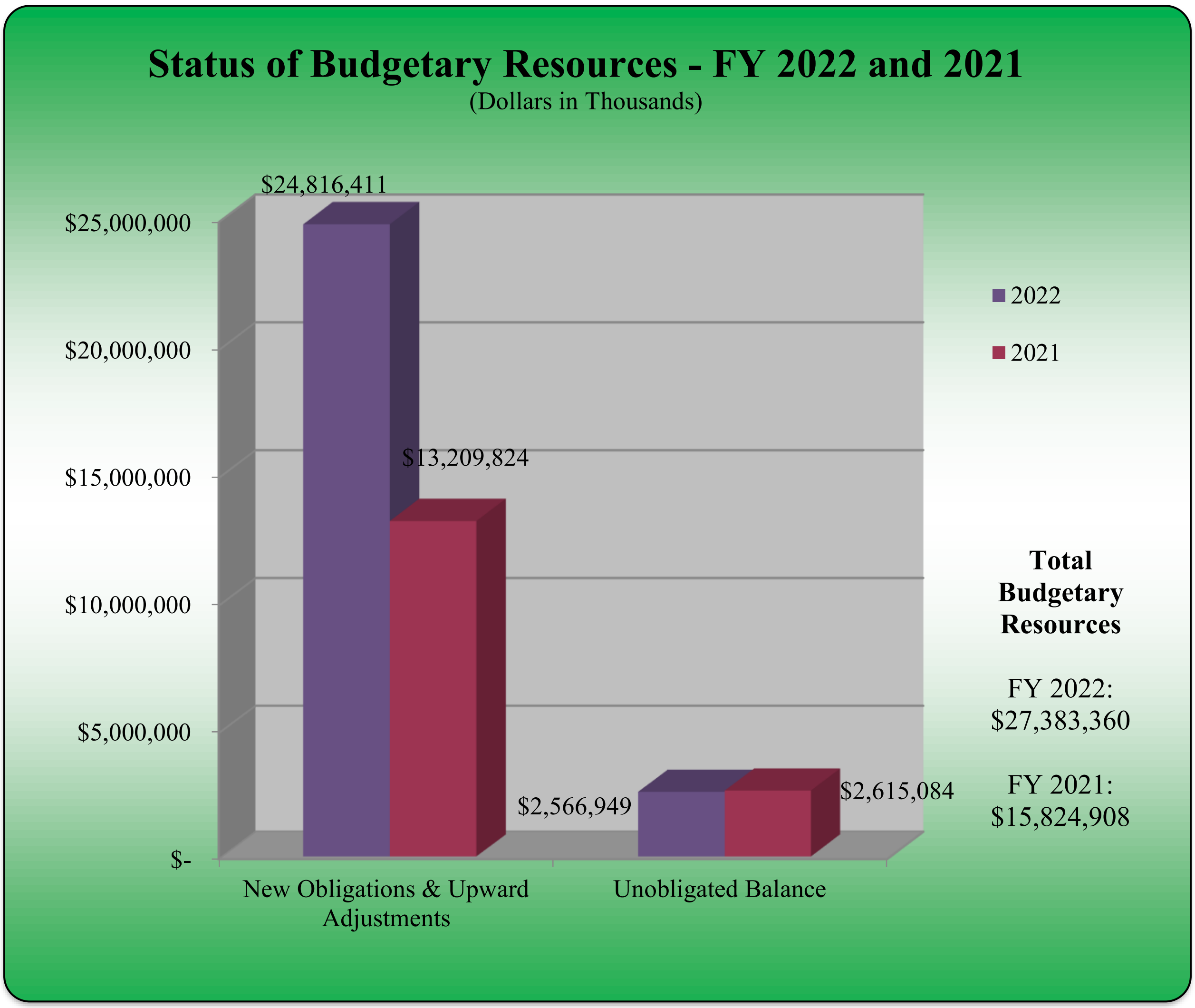
The first chart below compares the net position as of FYs 2022 and 2021; the second chart below compares the total amount of custodial revenue and amounts transferred to other entities during FYs 2022 and 2021.




Custodial Activity - FYs 2022 and 2021
(Dollars in Thousands)
$120,000,000
$100,000,000
$80,000,000
$60,000,000
$40,000,000
$20,000,000
$-
$22,562,881
$85,780,069
$103,554,276
$9,149,473
Total Custodial Revenue
Transferred to Others
2022
2021

Combined Statement of Budgetary Resources: This statement provides information on how budgetary resources were made available to the Commission for the fiscal year and the status of those budgetary resources at the end of the fiscal year. The Commission receives most of its budgetary authority from appropriations. Budgetary resources consist of the resources available to the Commission at the beginning of the year, plus appropriations, spending authority from offsetting collections, and other budgetary resources received during the fiscal year. The Commission had $24,816 million in new obligations and upward adjustments, $2,567 million in unobligated balance, and $27,383 million in total budgetary resources.

The chart below presents the status of budgetary resources for FYs 2022 and 2021.



Other Key Financial Statement Highlights

Regulatory Fee Collections

Pursuant to 47 U.S.C. § 159, the Commission annually collects regulatory fees and retains those collections to offset certain costs incurred by the Commission. The amount the Commission is required to collect is included in the Commission's appropriations.

Regulatory fees are collected and warranted back to the Treasury to offset the Commission's appropriations for the current fiscal year. In FY 2022, the Commission was appropriated to collect $382 million in regulatory fees. Excess regulatory fees collected were $5 million above the appropriated level and transferred to the General Fund of the Treasury for the sole purpose of deficit reduction.

Limitations on the Financial Statements

The financial statements are prepared to report the financial position, financial condition, and results of operations of the Commission, consistent with the requirements of 31 U.S.C. § 3515(b). The principal financial statements are prepared from the books and records of the Commission in accordance with GAAP for federal entities and the formats prescribed by OMB. The statements, in addition to the financial reports used to monitor and control budgetary resources, are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the United States Government, a sovereign entity.

II. Financial Statements and Auditors' Report

Transmittal from Office of Inspector General

UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: November 15, 2022

TO: Chairwoman

FROM: Inspector General

SUBJECT: Audit of the Federal Communications Commission's Financial Statements for Fiscal Year 2022 (Report No. 22-AUD-06-01)

As required by the Accountability of Tax Dollars Act of 2002 (Pub. L. 107-289), the Office of Inspector General (OIG) engaged the independent certified public accounting firm of Kearney & Company, P.C. (Kearney) to audit, in accordance with generally accepted government auditing standards, the FCC's fiscal year (FY) 2022 financial statements.

Kearney's reports include an opinion report on FCC's financial statements, a report on internal control over financial reporting, and a report on compliance and other matters. Kearney found that the financial statements were fairly presented in all material respects, in conformity with U.S. generally accepted accounting principles. In addition, Kearney did not find any reportable instances of noncompliance with laws, regulations, and contracts applicable to FCC.

However, Kearney identified several deficiencies in information technology (IT) controls for FCC and Universal Service Fund (USF). Kearney deemed the aggregate of the IT control deficiencies to be a significant deficiency in internal controls over financial reporting. The significant deficiency in IT controls is a repeat finding from the fiscal year 2021 and prior year audit reports.

The internal control report summarizes the IT control deficiencies noted during the Federal Information Security Management Act (FISMA) evaluation and IT control testing performed in support of the financial statement audit. Kearney made 21 recommendations to improve the effectiveness of IT controls over FCC and Universal Service Administrative Company systems. The details of the IT findings and recommendations are included in the separate FISMA evaluation report.

Kearney is responsible for the attached audit reports, dated November 15, 2022, and the conclusions expressed therein. In connection with our contract, we reviewed Kearney's reports and related documentation and inquired of its representatives. Our review disclosed no instances where Kearney did not comply, in all material respects, with Government Auditing Standards. Our review, as differentiated from an audit of the financial statements in accordance with U.S.

generally accepted auditing standards, was not intended to enable us to express opinions. Accordingly, we do not express opinions on FCC's financial statements or internal control over financial reporting, or on compliance with laws and regulations and other matters.

The Office of Inspector General appreciates the cooperation and courtesies you extended to our staff and Kearney's staff during the audit.

cc: Managing Director
Chief of Staff
Chief Financial Officer
Chief Information Officer

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INDEPENDENT AUDITOR'S REPORT

To the Chairwoman, Managing Director, and Inspector General of the Federal Communications Commission

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the Federal Communications Commission (FCC), which comprise the consolidated Balance Sheets as of September 30, 2022 and 2021, the related consolidated Statements of Net Cost and Changes in Net Position and Custodial Activity, and the combined Statements of Budgetary Resources (hereinafter referred to as the "financial statements") for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the FCC as of September 30, 2022 and 2021 and its net cost of operations, changes in net position, custodial activity, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of the FCC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for: 1) the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 2) the preparation, measurement, and presentation of Required Supplementary Information (RSI) in accordance with U.S. generally accepted accounting principles; 3) the preparation and presentation of Other Information included in the FCC's Agency Financial Report, as well as ensuring the consistency of that information with the audited financial statements and the RSI; and 4) the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the FCC's ability to continue as a going concern for 12 months beyond the financial statement date.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FCC's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the FCC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Budgetary Resources by Major Account and Land (hereinafter referred to as the "RSI") be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by OMB and the Federal Accounting Standards Advisory Board (FASAB), who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing it for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the Other Information included in the annual report. The Other Information comprises the Summary of Financial Statement Audit, Summary of Management Assurances, Payment Integrity, Schedule of Civil Monetary Penalties, and Office of Inspector General's Management and Performance Challenges and does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the Other Information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the Other Information and consider whether a material inconsistency exists between the Other Information and the financial statements or the Other Information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the Other Information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01, we have also issued reports, dated November 15, 2022, on our consideration of the FCC's internal control over financial reporting and on our tests of the FCC's compliance with provisions of applicable laws, regulations, contracts, and grant agreements, as well as other matters for the year ended September 30, 2022. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance and other matters. Those reports are an integral part of an audit performed in accordance with *Government*

Auditing Standards and OMB Bulletin No. 22-01 and should be considered in assessing the results of our audits.

Kearney & Company

Alexandria, Virginia
November 15, 2022

Independent Auditor's Report on Internal Control over Financial Reporting

KEARNEY& COMPANY

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Chairwoman, Managing Director, and Inspector General of the Federal Communications Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, the financial statements of the Federal Communications Commission (FCC) as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the FCC's financial statements, and we have issued our report thereon dated November 15, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the FCC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the FCC's internal control. Accordingly, we do not express an opinion on the effectiveness of the FCC's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 22-01. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings, that we consider to be a significant deficiency.

We noted certain additional matters involving internal control over financial reporting that we will report to the FCC's management in a separate letter.

The Federal Communications Commission's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the FCC's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Commission's Response to Independent Auditor's Reports section of the Agency Financial Report. The FCC's response was not subjected to the other auditing procedures applied in the audit of the financial statements; accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the FCC's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01 in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 15, 2022

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Schedule of Findings

I. Information Technology *(Modified Repeat Condition)*

Background: The Federal Communications Commission (FCC) uses information systems to compile information for financial reporting purposes, including the FCC's core financial management and accounting system, Genesis. The FCC's general information technology (IT) support system serves as the gateway for users to access FCC information and information systems, including Genesis. In addition, because the FCC's financial statements include financial transactions relating to the Universal Service Fund (USF) programs, the FCC relies upon general IT support systems and specific applications utilized by the administrator of the USF programs (i.e., Universal Service Administrative Company [USAC]).

Kearney & Company, P.C. (Kearney) separately performed an evaluation of the FCC's Information Security Program, as required by the Federal Information Security Modernization Act of 2014 (FISMA) and issued a separate report. In addition to the work performed during our FISMA evaluation, we performed risk-based procedures focused on IT controls that could lead to significant misstatements of, or corruption to, the financial data needed for the FCC's financial statements. We performed this work in accordance with the Government Accountability Office's (GAO) Federal Information System Controls Audit Manual (FISCAM). Many of the IT control areas of FISMA overlap with those in FISCAM, such as Risk Management, Access Controls, Configuration Management, and Information Security Continuous Monitoring (ISCM). Other IT controls areas are unique to FISCAM due to their relevance to financial management and reporting, such as segregation of duties and application controls. Additionally, we performed risk-based procedures related to the core financial management system utilized by USAC to administer the USF programs, the Financial Operations System (FOS), as well as USAC's Schools and Libraries (S&L) account and application management system, E-Rate Productivity Center (EPC). Similar to the FCC, USAC's general IT support system is the gateway for users to access USAC's FOS. The fiscal year (FY) 2022 FISMA evaluation report includes detailed information for each identified finding.

Condition: The following summarizes the IT control deficiencies noted during the FISMA evaluation and FISCAM testing in support of the financial statement audit. In aggregate, Kearney considers these control deficiencies to be a significant deficiency.

- **FCC General IT Support System –** The FY 2022 FCC FISMA evaluation identified deficiencies in multiple IT control areas that impacted the FCC's general IT support system, including Risk Management, Identity and Access Management, Configuration Management, and ISCM. Most notably, the FCC did not enforce the use of Personal Identity Verification (PIV) credentials as a dual-factor authentication mechanism for logical access, nor did it consistently remediate identified network vulnerabilities within the timeframes required by FCC policy. Additionally, the FCC did not update its Risk Management Framework (RMF) documentation in accordance with the National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, Revision (Rev.) 5, *Security and Privacy Controls for Information Systems and Organizations*, nor did it consistently develop Plans of Action and Milestones (POA&M) to track all security weaknesses noted during reviews. Further, the FCC did not complete efforts to ensure compliance with the established Center for Internet Security (CIS) benchmarks for baseline configurations, nor did it consistently ensure all changes to the FCC's general IT support system were approved prior to implementation.

- **USAC Systems Utilized in Administering the USF Programs** – The FY 2022 FCC FISMA evaluation identified deficiencies in multiple IT control areas that impacted the USAC's general IT support system, FOS/GP, and EPC, including Risk Management, Identity and Access Management, and Configuration Management. USAC did not complete efforts to ensure the general IT support system complied with the established CIS benchmarks for baseline configurations, which FOS relies on to maintain baseline configurations. Further, USAC did not consistently perform reviews of required auditable events captured in an EPC application audit log in accordance with USAC's policies and internal control documentation. Required auditable events include access changes to EPC user accounts.

Cause: The FCC and USAC's ongoing efforts to implement planned corrective actions to remediate longstanding IT deficiencies continue to require prioritization. Specific causal information for each issue identified during the FY 2022 FISMA evaluation is addressed in the Non-Public FISMA Evaluation Report.

Effect: Inadequate controls over IT security can affect the integrity of financial applications, which increases the risk that unauthorized individuals could access sensitive financial information or that financial transactions could be altered, either accidentally or intentionally. IT deficiencies increase the risk that the FCC will be unable to report financial data in an accurate and timely manner.

Recommendations: Our full FY 2022 FISMA evaluation report included 21 recommendations intended to improve the effectiveness of the FCC's Information Security Program controls in the areas of Risk Management, Configuration Management, Identity and Access Management, and ISCM. Fifteen of the recommendations relate to the FCC and six of the recommendations relate to USAC. Of the 15 FCC recommendations, 12 relate to FISCAM control areas. All six of the USAC recommendations related to FISCAM control areas.

* * * * *

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APPENDIX A: STATUS OF PRIOR-YEAR DEFICIENCIES

In the *Independent Auditor's Report on Internal Control over Financial Reporting* included in the audit report on the Federal Communications Commission's (FCC) fiscal year (FY) 2021 financial statements,[1] we noted two reportable findings. The statuses of the FY 2021 internal control findings are summarized in ***Exhibit 1***.

Exhibit 1: Statuses of Prior-Year Findings

Control Deficiency	FY 2021 Status	FY 2022 Status
Information Technology	Significant Deficiency	Significant Deficiency
Inaccurate Recognition of Federal Communications Commission Non-Exchange Revenue	Significant Deficiency	Closed

During the FY 2021 financial statement audit, Kearney & Company, P.C. (Kearney) made specific recommendations to the FCC related to the control deficiencies, as noted above, to strengthen the FCC's internal control environment over financial reporting. The statuses of the FY 2021 internal control recommendations are summarized in ***Exhibit 2***.

Exhibit 2: Statuses of Prior-Year Recommendations

Related Control Deficiency	Recommendation Description	FY 2022 Status
Information Technology[2]	Kearney issued 13 information technology (IT)-related recommendations in FY 2021.	7 Open 6 Closed
Inaccurate Recognition of Federal Communications Commission Non-Exchange Revenue	Kearney issued three FCC revenue-related recommendations in FY 2021.	Closed

[1] The *Independent Auditor's Report on Internal Control Over Financial Reporting* was published in the FCC's FY 2021 Agency Financial Report (AFR).

[2] Kearney issued 13 recommendations in the FY 2021 Federal Information Security Modernization Act of 2014 (FISMA) evaluation report. During FY 2022, the FCC took appropriate action to close six recommendations, and we either updated or re-issued the seven recommendations that remain open. The FY 2022 FISMA evaluation report includes additional, detailed information on each of the 13 prior-year recommendations.

Independent Auditor's Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

To the Chairwoman, Managing Director, and Inspector General of the Federal Communications Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, the financial statements of the Federal Communications Commission (FCC) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the FCC's basic financial statements, and we have issued our report thereon dated November 15, 2022.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the FCC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement. We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the FCC. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 22-01. Although our audit procedures did not identify any instances of known noncompliance as of and for the year ended September 30, 2022, FCC management was in the process of confirming two potential instances of noncompliance with the Antideficiency Act (ADA) based on events that occurred in fiscal years (FY) 2011 and 2019. Specifically, the FCC identified potential ADA noncompliance related to certain types of contracting actions and their resulting obligations in FY 2011. In addition, a negative cash balance in the Clearinghouse Fund for International Telecommunications Settlements (ITS) was identified in FY 2019. The ADA prohibits the FCC from obligating or expending Federal funds in advance or in excess of an appropriation, as well as from accepting voluntary services. These potential instances of noncompliance were still being researched by the FCC as of September 30, 2022.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 15, 2022

Commission's Response to Independent Auditor's Reports

UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSON

Office of the Managing Director

DATE:	November 15, 2022
TO:	David L. Hunt, Inspector General
FROM:	Mark Stephens, Managing Director Jae Seong, Chief Financial Officer Allen Hill, Chief Information Officer
SUBJECT:	Management's Response to Independent Auditor's Reports on Internal Control over Financial Reporting and Compliance with Laws, Regulations, Contracts, and Grant Agreements for Fiscal Year 2022

Thank you for the opportunity to review and comment on the draft reports entitled *Independent Auditor's Report on Internal Control over Financial Reporting and Independent Auditor's Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements*. As always, the Federal Communications Commission (FCC or Commission) appreciates the efforts of the Office of Inspector General and its independent auditor, Kearney and Company, to work with the FCC throughout the annual financial statement audit process.

We are pleased that, for the seventeen straight year, the independent auditor provided an unmodified ("clean") opinion and found that the Commission's consolidated financial statements for Fiscal Year (FY) 2022 present fairly, in all material respects, the financial position of the Commission as of September 30, 2022. In addition, the results of the audit tests disclosed no instances of noncompliance or other matters that are required to be reported.

Despite this successful outcome, work remains here at the Commission. The FY 2022 audit report identified one significant deficiency related to information technology controls. We concur with the recommendations made by the independent auditors in their reports.

We look forward to working in FY 2023 to resolve the FY 2022 audit findings and to enhance the culture of integrity, accountability, and excellence that exists here at the Commission.

Mark Stephens Digitally signed by Mark Stephens Date: 2022.11.15 06:23:46 -05'00'	Jae Seong Digitally signed by Jae Seong Date: 2022.11.15 05:49:25 -05'00'	ALLEN HILL Digitally signed by ALLEN HILL Date: 2022.11.15 07:39:49 -05'00'
Mark Stephens Managing Director Office of Managing Director	Jae Seong Chief Financial Officer Office of Managing Director	Allen Hill Chief Information Officer Office of Managing Director

Principal Statements

Federal Communications Commission

Balance Sheets

As of September 30, 2022 and September 30, 2021
(Dollars in thousands)

	FY 2022	FY 2021
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 31,764,119	$ 105,212,774
Accounts receivable, net (Note 4)	8	361
Advances and prepayments	1,726	1,639
Total intragovernmental	31,765,853	105,214,774
Other than intragovernmental:		
Accounts receivable, net (Note 4)	685,877	823,087
General property, plant and equipment, net (Note 5)	95,084	84,202
Advances and prepayments	13,024	18,024
Total other than intragovernmental	793,985	925,313
Total assets	$ 32,559,838	$ 106,140,087
Liabilities (Note 6):		
Intragovernmental:		
Accounts payable	$ 103	$ 1,402
Other liabilities (Note 7)		
Liability to the General Fund of the U.S. Government for custodial and other non-entity assets	3,114,831	84,234,840
Other liabilities	4,307	3,868
Total other liabilities	3,119,138	84,238,708
Total intragovernmental	3,119,241	84,240,110
Other than intragovernmental:		
Accounts payable	992,321	828,732
Federal employee benefits payable	24,822	26,503
Advances from others and deferred revenue	505,520	153,756
Other liabilities (Note 7)		
Prepaid contributions	102,265	44,563
Accrued liabilities for USF and TRS	596,528	490,897
Deposit/Unapplied liability	2,509	606,917
Other	26,459	23,362
Total other liabilities	727,761	1,165,739
Total other than intragovernmental	2,250,424	2,174,730
Total liabilities	$ 5,369,665	$ 86,414,840
Commitments and contingencies (Note 8)		
Net position:		
Unexpended Appropriations-Funds from Dedicated Collections (Note 9)	$ 759,909	$ 819,020
Unexpended Appropriations-Funds from other than Dedicated Collections	19,526,104	11,728,689
Total Unexpended Appropriations (Consolidated)	20,286,013	12,547,709
Cumulative Results of Operations-Funds from Dedicated Collections (Note 9)	6,642,083	6,948,472
Cumulative Results of Operations-Funds from other than Dedicated Collections	262,077	229,066
Total Cumulative Results of Operations (Consolidated)	6,904,160	7,177,538
Total net position	27,190,173	19,725,247
Total liabilities and net position	$ 32,559,838	$ 106,140,087

The accompanying notes are an integral part of these statements.

Federal Communications Commission
Statements of Net Cost
For the Years Ended September 30, 2022 and September 30, 2021
(Dollars in thousands)

	FY 2022	FY 2021
Gross Program costs:		
Pursue a "100 Percent" Broadband Policy:		
Net Program Cost	$ 14,509,156	
Promote Diversity, Equity, Inclusion, and Accessibility:		
Net Program Cost	612,312	
Empower Consumers:		
Net Program Cost	649,358	
Enhance Public Safety and National Security:		
Net Program Cost	51,084	
Advance America's Global Competitiveness:		
Net Program Cost	101,861	
Foster Operational Excellence:		
Net Program Cost	115,386	
Closing the Digital Divide:		
Net Program Cost		10,162,259
Promoting Innovation:		
Net Program Cost		1,322,277
Protecting Consumers and Public Safety:		
Net Program Cost		69,006
Reforming the FCC's Processes:		
Net Program Cost		125,676
Net Program Costs	$ 16,039,157	$ 11,679,218
Less: earned revenues not attributed to programs	(546,566)	(536,365)
Net cost of operations	$ 15,492,591	$ 11,142,853

The accompanying notes are an integral part of these statements.

Federal Communications Commission
Statements of Changes in Net Position and Custodial Activity
For the Years Ended September 30, 2022 and September 30, 2021
(Dollars in thousands)

	FY 2022			FY 2021		
	Funds from Dedicated Collections Consolidated (Note 9)	Funds from Other than Dedicated Collections Consolidated	Consolidated Total	Funds from Dedicated Collections Consolidated (Note 9)	Funds from Other than Dedicated Collections Consolidated	Consolidated Total
Unexpended Appropriations:						
Beginning Balances	$ 819,020	$ 11,728,689	$ 12,547,709	$ 857,848	$ 150,738	$ 1,008,586
Changes in Unexpended Appropriations:						
Appropriations received	-	14,200,000	14,200,000	-	12,586,950	12,586,950
Appropriations Used	(59,111)	(6,402,585)	(6,461,696)	(38,828)	(1,008,999)	(1,047,827)
Total Unexpended Appropriations: Ending Balance	$ 759,909	$ 19,526,104	$ 20,286,013	$ 819,020	$ 11,728,689	$ 12,547,709
Cumulative Results of Operations:						
Beginning Balances	6,948,472	229,066	7,177,538	6,251,781	191,954	6,443,735
Changes in Cumulative Results of Operations:						
Net cost of operations (+/-)	9,141,222	6,351,369	15,492,591	10,192,060	950,793	11,142,853
Financing Sources:						
Appropriations Used	59,111	6,402,585	6,461,696	38,828	1,008,999	1,047,827
Other than intragovernmental non-exchange revenue	8,775,722	-	8,775,722	10,846,069	-	10,846,069
Intragovernmental non-exchange revenue	-	390	390	3,854	50	3,904
Imputed financing from costs incurred by other entities	-	12,789	12,789	-	13,240	13,240
Other	-	(31,384)	(31,384)	-	(34,384)	(34,384)
Net Change in Cumulative Results of Operations	(306,389)	33,011	(273,378)	696,691	37,112	733,803
Total Cumulative Results of Operations	6,642,083	262,077	6,904,160	6,948,472	229,066	7,177,538
Net position, end of period	$ 7,401,992	$ 19,788,181	$ 27,190,173	$ 7,767,492	$ 11,957,755	$ 19,725,247

	FY 2022	FY 2021
Net Custodial Activities:		
Custodial Revenue:		
Other cash collections		
Spectrum auctions	$ 22,514,626	$ 85,564,050
Fines & penalties	48,568	207,301
Total cash collections	22,563,194	85,771,351
Accrual adjustments:		
Fines & penalties	(313)	8,718
Refunds and other payments		
Auctions Salaries & Expenses (FCC)	(128,621)	(134,495)
Net custodial revenue	22,434,260	85,645,574
Distribution of Collections:		
Amounts transferred to Federal entities		
Treasury	(81,137,544)	(207,301)
Spectrum Relocation Fund (OMB)	(22,418,284)	(4,466,079)
Public Safety Trust Fund (NTIA)	1,552	(4,476,093)
(Increase)/Decease in Amounts Yet to be Transferred (+/-)	81,120,016	(76,496,101)
Retained by reporting entity	-	-
Total distribution of collections	(22,434,260)	(85,645,574)
Net custodial activity	$ -	$ -

The accompanying notes are an integral part of these statements.

Federal Communications Commission
Statements of Budgetary Resources
For the Years Ended September 30, 2022 and September 30, 2021
(Dollars in thousands)

	FY 2022	FY 2021
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 3,709,243	$ (8,023,330)
Appropriations (discretionary and mandatory)	23,162,823	23,338,751
Spending authority from offsetting collections (discretionary and mandatory)	511,294	509,487
Total budgetary resources	$ 27,383,360	$ 15,824,908
Status of Budgetary Resources		
New obligations and upward adjustments (total)	$ 24,816,411	$ 13,209,824
Unobligated balance, end of year		
Apportioned, unexpired accounts	15,004,559	11,485,161
Exempt from apportionment, unexpired accounts	(12,438,228)	(8,870,348)
Unapportioned, unexpired accounts	43	34
Unexpired unobligated balance, end of year	2,566,374	2,614,847
Expired unobligated balance, end of year	575	237
Unobligated balance, end of year (total)	2,566,949	2,615,084
Total budgetary resources	$ 27,383,360	$ 15,824,908
Outlays, Net		
Outlays, net (total) (discretionary and mandatory)	$ 15,235,623	$ 11,152,514
Distributed offsetting receipts (-)	(40,251)	(34,679)
Agency outlays, net (discretionary and mandatory)	$ 15,195,372	$ 11,117,835

The accompanying notes are an integral part of these statements.

Notes to the Principal Financial Statements

For the Years Ended September 30, 2022 and September 30, 2021
(Dollars in thousands unless otherwise stated)

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Federal Communications Commission (FCC or Commission) is an independent United States government agency, established by the Communications Act of 1934 (Act), as amended. The Commission is charged with regulating interstate and international communications by radio, television, wire, satellite, and cable. The Commission's jurisdiction spans the 50 states, the District of Columbia, and the U.S. possessions. The Commission is directed by five Commissioners who are appointed by the President of the United States and confirmed by the Senate for five-year terms, except when filling an unexpired term or serving in holdover status.

The Commission is comprised of three reporting components. The primary component consists of Commission headquarters and field offices. The two additional components are the Universal Service Fund (USF) and the Telecommunications Relay Service (TRS) Fund. The USF reports the results of the four universal service programs (established pursuant to section 254 of the Act, as amended), and the Connected Care Pilot Program (CCPP). Section 510 of Division E of the Consolidated Appropriations Act, 2022, P. L. No. 117–103, amended Section 302 of the Universal Service Anti-deficiency Temporary Suspension Act, Title III of P. L. No. 108-494, extending the universal service programs exemption from the application of the provisions of the Anti-deficiency Act until December 31, 2022. Accordingly, the USF is not subject to apportionment by the Office of Management and Budget (OMB). The TRS Fund was established by the Americans with Disabilities Act of 1990, Title IV, and is not exempt from the Anti-deficiency Act and must be apportioned by OMB before funds are available for use. Information regarding disclosure entities is separately disclosed in Note 17.

B. Accounting Policies

The consolidated and combined financial statements (financial statements) have been prepared from the accounting records of the Commission and its components, in conformity with U.S. generally accepted accounting principles (GAAP) and the form and content for federal entity financial statements specified by OMB Circular No. A-136, *Financial Reporting Requirements—Revised*. Custodial activity reported on the Statement of Changes in Net Position and Custodial Activity is prepared on the modified cash basis.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results may differ from those estimates.

C. Fund Balance with Treasury and Funds from Dedicated Collections

Funds with the U.S. Department of the Treasury (Treasury) primarily represent general, revolving, special, and deposit funds. The Commission may use the general and revolving funds to finance expenses, depending on budgetary availability. The special funds are used to account for dedicated collections and deposit funds are used to hold amounts temporarily until they can be properly disbursed or distributed.

Note 1 – Summary of Significant Accounting Policies (continued)

D. Classified Activities

Statement of Federal Financial Accounting Standards (SFFAS) 56, *Classified Activities*, requires all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

E. Accounts Receivable, Net

Accounts Receivable consists of claims made for payment from the public and other federal entities. Gross receivables are reduced to net realizable value by an allowance for doubtful accounts.

The Commission's portion of the allowance for doubtful accounts is determined by applying predetermined percentages against the respective date the receivable was established. An additional analysis of higher dollar value receivables is also performed on individual account balances. As such, an additional allowance for doubtful accounts for the higher dollar value receivables may be recorded considering inherent uncertainties and risks.

The USF portion of the allowance is determined by calculating an estimated general allowance for doubtful accounts receivable. The general allowance is calculated by multiplying the receivable amounts by the percentage of the estimated uncollectible amount as determined by a review of historical collection rates by type of receivable.

In addition, the Commission's Emergency Connectivity Fund (ECF) and the USF's E-Rate programs have Commitment Adjustment (COMAD) receivables. COMAD or audit receivables are subject to appeal and are not considered final until the appeals period has lapsed, or a final determination has been issued.

The TRS portion of the allowance is based on estimated exposure to risk of nonpayment of billed balances, primarily based collection experience. The allowance includes reserves for identified bankruptcies, identified inactive contributors, contributors on appeal more than two years, delinquent amounts that are referred to Treasury for collection, and other items. The TRS administrator periodically reviews the estimates and may change the assessment of recoverability based on actual results.

F. General Property, Plant and Equipment, Net

The basis for recording purchased General Property, Plant, and Equipment (PP&E) is full cost, including all costs incurred to bring the PP&E to and from a location suitable for its intended use. The capitalization threshold is $100 for PP&E and $200 for internally developed software with an estimated useful life of two years or more. There is no capitalization of bulk purchases of similar items. PP&E is depreciated on a straight-line basis over the estimated useful lives of the items.

The following chart summarizes the PP&E classifications with related estimated useful lives:

PP&E Classification	Estimated Useful Lives (years)
Building	40
Non-Computer Equipment	7
Computer & Vehicle Equipment	5
Software	3

Note 1 – Summary of Significant Accounting Policies (continued)

F. General Property, Plant and Equipment (continued)

Land, including permanent improvements, and software in development are not depreciated. Normal maintenance and repair costs are expensed as incurred.

Leasehold and building improvements, which includes all cost incurred during the design and construction phase of the improvement, are either amortized over the remaining life of the lease and building or the useful life of the improvement, whichever is shorter.

G. Advances and Prepayments

Intragovernmental advances and prepayments represents advance payments for intragovernmental agreements. Advances and prepayments with the public represent the balance of transfers less expenses made by the USF to the Universal Service Administrative Company (USAC), the USF administrator, to fund administrative costs in advance. Advances are drawn down as expenses are incurred and a balance typically remains in this account for future expenses.

H. Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities represent a probable future outflow or other sacrifice of resources as a result of past transactions or events. Liabilities are recognized when they are incurred, regardless of whether they are covered by available budgetary resources. Liabilities cannot be liquidated without legislation that provides resources to do so. Payments of all liabilities other than contracts can be abrogated by the U.S. Government, which is a sovereign entity, and its components, which includes the Commission.

The USF and TRS expenses are non-exchange expenses. Accrued Liabilities for USF mostly represent liabilities recorded for anticipated subsidies in the Lifeline program, and for all legacy support mechanisms within the High Cost program and TRS support mechanisms. An Accounts Payable accrual is recorded for subsidies related to support mechanisms in TRS and the following USF programs: Connect America Fund (CAF) Phase II, CAF Phase II reverse auction (CAF II Auction), Rural Broadband Experiment, Alternative Connected America Cost Model (A-CAM), A-CAM II, Alaska Plan, Puerto Rico and the Virgin Islands, and Rural Digital Opportunity Fund (RDOF). The Commission does not accrue for payments under the E-Rate or Rural Health Care programs until potentially eligible costs pass through a thorough review process and the costs are approved for disbursement.

Similar to the USF Rural Health Care and E-Rate programs, the expenses related to the Coronavirus Disease of 2019 (COVID-19) Telehealth Program, the Secure and Trusted Networks Communications Act Reimbursement Program, known as the Supply Chain Reimbursement Program (SCRP), and the ECF are non-exchange expenses. The Commission does not accrue payments under the COVID-19 Telehealth Program, SCRP or ECF until submitted eligible expenses are approved for payment. The Emergency Broadband Connectivity Fund's Emergency Broadband Benefit Program (EBCF-EBBP) and Affordable Connectivity Program (ACP) expenses are also non-exchange and similar to the Lifeline program, and as such, the Commission accrue the expected payments. Refer to Note 18 for more information.

Accrued Liabilities for the TV Broadcaster Relocation Fund (TVBRF) represent liabilities for exchange expenses which includes invoices received but not processed and costs incurred but not invoiced related to relocation costs incurred by full power and Class A broadcasters that were reassigned to new channels as a result of the Broadcast Incentive Auction, as well as certain costs incurred by multichannel video program

Note 1 – Summary of Significant Accounting Policies (continued)

I. Advances From Others and Deferred Revenue

distributors (MVPDs), Television translator stations (LPTV/TV Translator) and by FM radio stations (FM stations). For this program, an accrued liability for invoices received but not processed and for costs incurred but not invoiced is made to Accounts Payable.

The Commission's advances from others and deferred revenue consists entirely of deferred revenue. The Commission collects proceeds from the sale of spectrum licenses on behalf of the U.S. Government. All proceeds collected up to the amount of the net winning bid are recognized as deferred revenue until a "prepared to grant" or "grant" public notice is issued.

In addition, the Commission collects multi-year regulatory fees for five and ten-year periods that are recorded as deferred revenue and amortized over the period of the fee.

The TRS collects contributions from telecommunications carriers to cover the costs of the programs. Some carriers have the option of paying monthly or annually. The unearned portion of annual contributions is recognized as deferred revenue.

J. Retirement Plans and Other Benefits

Federal employee benefits consist of the actuarial portion of future benefits earned by federal employees, including pensions, other retirement benefits, and other post-employment benefits. The Office of Personnel Management (OPM) administers these benefits. The Commission does not recognize any liability on the Balance Sheet for pensions, other retirement benefits, and other post-employment benefits. The Commission recognizes and allocates the imputed costs on the Statement of Net Cost and recognizes imputed financing related to these costs on the Statement of Changes in Net Position.

Pensions provide benefits upon retirement and may also provide benefits for death, disability, or other separations from employment before retirement. Pension plans may also include benefits to survivors and dependents, and they may contain early retirement or other special features. Most Commission employees participate in the Civil Service Retirement System (CSRS), the Federal Employee Retirement System (FERS), the FERS-Revised Annuity Employee (FERS-RAE), or the FERS-Further Revised Annuity Employee (FERS-FRAE). Under CSRS, the Commission makes matching contributions equal to seven percent (7%) of basic pay. Under all FERS plans, the Commission contributes the employer's matching share for Social Security. All employees are eligible to contribute to the Thrift Savings Plan (TSP), which is a defined contribution retirement savings and investment plan. For those employees covered by the FERS plans, a TSP account is automatically established to which the Commission is required to contribute one percent (1%) of gross pay, match dollar-for-dollar on the first three percent (3%) of pay contributed each pay period, and match 50 cents on the dollar for the next two percent (2%) of pay contributed. No government contributions are made to the TSP accounts established by CSRS employees. Most employees hired after December 31, 1983, are covered by the FERS plans.

OPM reports on CSRS, FERS, FERS-RAE, and FERS-FRAE assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to Federal employees. The actuarial liability for future workers' compensation benefits payable includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, as well as a component for incurred but not reported claims. The liability is determined using historical benefit payment patterns related to injury years to predict the ultimate payment.

Note 1 – Summary of Significant Accounting Policies (continued)

J. Retirement Plans and Other Benefits (continued)

The unfunded Federal Employees' Compensation Act (FECA) liability covers compensation and medical benefits for work related injury. The calculation takes the amount of benefit payments over the last nine to twelve quarters and then calculates the annual average of payments. The compensation and medical payments can be found in the chargeback reports that are issued by the Department of Labor.

K. Leave

Annual leave is accrued as earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current leave balances and pay rates. Annual leave is reflected as a liability not covered by current budgetary resources. Sick leave and other types of non-vested leave are expensed as taken.

L. Exchange Revenue, Non-Exchange Revenue, and Financing Sources

<u>Regulatory Fee Offsetting Collections (Exchange)</u> – Pursuant to 47 U.S.C. § 159, the Commission assesses and collects regulatory fees to recover the costs incurred in carrying out its mission through its strategic goals: Pursue a "100 Percent" Broadband Policy; Promote Diversity, Equity, Inclusion, and Accessibility; Empower Consumers; Enhance Public Safety and National Security; Advance America's Global Competitiveness; and Foster Operational Excellence. Since 1993, Congress has annually reviewed the regulatory fee collection requirements of the Commission and established the total fee levels to be collected in annual Appropriations Acts. Fees collected up to the level established by Congress are applied against the Commission's appropriation at the close of each fiscal year. The Repack Airwaves Yielding Better Access for Users of Modern Services Act of 2018 (RAY BAUM'S Act), Division P of P.L. 115-141, requires the Commission to transfer all excess regulatory fee collections from prior and subsequent fiscal years to the General Fund of the Treasury for the sole purpose of deficit reduction. The Commission collected the appropriated regulatory fee levels of $381,950 for FY 2022 and $374,000 for FY 2021. Excess collections of $4,995 in FY 2022 and $3,780 in FY 2021 were transferred to the Treasury for the sole purpose of deficit reduction. As of September 30, 2022, the Commission transferred excess regulatory fee collections totaling $150,044 to the Treasury.

<u>Competitive Bidding System Offsetting Collections (Exchange)</u> – One of the Commission's primary functions is managing the spectrum auctions program. Proceeds from the auctions are initially remitted to the Commission and are later transferred either to the Treasury or to the appropriate agency as required by applicable laws. Pursuant to 47 U.S.C. § 309, the Commission may retain a portion of the spectrum auction proceeds to offset the cost of performing the auction function. Collections used to offset the cost of performing auctions-related activity were appropriated at $128,621 for FY 2022 and $134,495 for FY 2021.

<u>Radio Spectrum Auction Proceeds (Exchange)</u> – In accordance with the provisions of SFFAS 7, *Accounting for Revenue and Other Financing Sources*, the Commission accounts for this exchange revenue as a custodial activity. Revenue from spectrum auctions is recognized when a "prepared to grant" or "grant" public notice is issued. The value of available spectrum is determined in the marketplace at the time of auction. The Commission recognized $22,514,626 of custodial revenue (net of accrual adjustments) related to spectrum auctions in FY 2022 and $85,564,050 in FY 2021. In FY 2022, the Commission transferred $81,088,976 to the Treasury and $22,418,284 to Spectrum Relocation Fund administered by the OMB. In FY 2021, the Commission transferred $4,476,093 to the Public Safety Trust Fund that is managed by the National Telecommunications and Information Administration (NTIA) and $4,466,079 to the Spectrum Relocation Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

L. Exchange Revenue, Non-Exchange Revenue, and Financing Source (continued)

Application Fees (Exchange) – Pursuant to 47 U.S.C. § 158, the Commission collects application processing fees at such rates as the Commission establishes in a schedule of application fees to recover the costs of the Commission to process applications. Section 8(b) of the Act requires the Commission, in every even-numbered year, to adjust the schedule of application fees to reflect increases or decreases in the Consumer Price Index (CPI), rounded to the nearest $5 increment. In addition to the CPI adjustment as required by 8(b) of the Act, section 8(c) of the Act requires the Commission to, by rule, amend the application fee schedule if the Commission determines that the schedule requires amendment so that: (1) such fees reflect increases or decreases in the costs of processing applications at the Commission or (2) such schedule reflects the consolidation or addition of new categories of applications. Application fees are deposited in the Treasury and are not available for the Commission's use. Application fee revenue totaled $24,876 in FY 2022 and $28,553 in FY 2021. The most recent Report and Order establishing application fees based on cost to implement the RAY BAUM'S Act of 2018was adopted by the Commission on December 23, 2020 and released on December 29, 2020. In the *2020 Application Fees Report and Order*, the Commission adopted a new schedule of application fees that aligns with the types of applications the Commission receives and correlates the fees charged to the direct costs of processing the associated applications.

900 Megahertz (MHz) Anti-Windfall Program (Exchange) – On May 13, 2021, the Commission realigned the 900 MHz band to make available six megahertz of low-band spectrum for the development of critical wireless broadband technologies and services, while reserving the remaining four megahertz of spectrum for continued narrowband operations. Applicants that relinquish less than six megahertz of spectrum are required to make an anti-windfall payment before the Commission will grant its 900 MHz broadband segment application. Anti-windfall payment revenue totaled $1,123 in FY 2022 and $2,002 in FY 2021.

Reimbursable Work Agreements (Exchange) – The Commission recognizes reimbursable work agreement revenue when earned, i.e., goods that have been delivered or services rendered. The Commission executed agreements totaling $1,076 in FY 2022 and $831 in FY 2021.

Allocation of Exchange Revenues – The Commission reports the entire balance of exchange revenue on the line "Less: earned revenues not attributed to programs" since there is no direct relationship between earned revenues and specific programs.

USF and TRS (Non-Exchange) – Carriers conducting interstate telecommunications are required to contribute a portion of their revenues to fund the cost of providing universal service programs and TRS. These contributions represent dedicated collections. In addition to contributions, non-exchanged revenues also include fines, penalties, and interest. Non-exchanged revenues earned in FY 2022 were $7,516,280 by USF and $1,246,630 by TRS. Non-exchanged revenues earned in FY 2021 were $9,292,814 by USF and $1,557,109 by TRS. For more information, refer to Note 9 and Note 19.

Appropriations (Financing Source) – The Commission receives a Salaries and Expense appropriation from Congress. These funds are used to pay for operations during the fiscal year and are repaid to the Treasury once regulatory fees are collected. Since FY 2014, Congress has authorized the Commission to retain its appropriation as available until expended. The Commission's no-year appropriations were $381,950 for FY 2022, and $374,000 for FY 2021, which includes $33,000 specifically dedicated to implement the requirements of the Broadband Deployment Accuracy and Technological Availability Act (Broadband DATA Act). In FY 2021, Consolidated Appropriations Act, 2021, Division N – Additional Coronavirus Response and Relief, 2021 P. L. No. 116-260, (Division N) appropriated an additional $249,950 to the

Note 1 – Summary of Significant Accounting Policies (continued)

L. Exchange Revenue, Non-Exchange Revenue, and Financing Source (continued)

Commission's COVID-19 Telehealth Program (Round 2) to help health care providers provide telehealth services to patients at their homes or mobile locations in response to the COVID-19 pandemic and authorized additional $65,000 for the Broadband DATA Act implementation.

The Broadband DATA Act, among other things, requires the FCC to collect standardized, granular data on the availability and quality of both fixed and mobile broadband Internet access services, to create publicly available coverage maps, to establish processes for members of the public and other entities to challenge and verify the coverage maps, and to create a common dataset of all locations where fixed broadband internet access service can be installed. Regulatory fee collections fully funded the non-Division N no-year appropriations.

In FY 2022 , the Infrastructure Investment and Jobs Act , 2021 (Infrastructure Act), Congress appropriated $14,200,000 for the Affordable Connectivity Fund (ACF); see Note 1 P for more information. In FY 2021, the EBCF-EBBP, ECF and the SCRP were established and funded by Congressional appropriations. For more information on the EBCF-EBBP, SCRP and ECF see Note 18.

M. Reprogramming

For the year ended September 30, 2022, the Commission received approval for reprogramming $4,120 of prior year de-obligated funds for the space communications monitoring center modernization. In FY 2021, the Commission did not receive approvals for reprogramming of prior year de-obligated funds.

N. Net Position

Net Position is the residual difference between assets and liabilities and is comprised of Unexpended Appropriations and Cumulative Results of Operations. Unexpended Appropriations represents the amount of unobligated and unexpended budget authority. Unobligated Balance is the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. Cumulative Results of Operations is the net difference since the inception of the Commission of (1) expenses and losses and (2) financing sources including appropriations used, revenues, and gains. Net position of funds from dedicated collections is separately disclosed in Note 9.

O. Broadcast Incentive Auction

The Broadcast Incentive Auction (BIA) was authorized by provisions in Title VI of the Middle Class Tax Relief and Job Creation Act of 2012, P. L. No. 112-96 (Spectrum Act). The Spectrum Act established the funding of the TVBRF at $1,750,000. The Spectrum Act requires the Commission to reimburse relocation costs reasonably incurred by full power and Class A broadcasters and MVPDs that were involuntarily reassigned to new channels as a result of the BIA.

Section 511 of Title V of Division E of the Consolidated Appropriations Act, 2018, P. L. No. 115-141, also known as the Reimbursement Expansion Act (REA), appropriated an additional $1,000,000 in new funding for the TVBRF, which increased its cap to $2,750,000 and also expanded the universe of entities eligible for reimbursement to cover the costs reasonably incurred by displaced LPTV/TV Translator to relocate or modify their facilities, and by FM stations to reasonably minimize disruption of their services due to the TV repacking process.

Note 1 – Summary of Significant Accounting Policies (continued)

O. Broadcast Incentive Auction (continued)

The additional $1,000,000 in new funding was appropriated over two fiscal years, $600,000 in FY 2018 and $400,000 in FY 2019. For FY 2018, the REA provides for funding of not more than $350 million to reimburse full power and Class A stations, not more than $150 million for LPTV/TV Translator, and not more than $50 million for FM stations to reimburse such stations for their costs. The REA also provides $50 million in FY 2018 funds for the Commission to use for consumer education relating to the reorganization of broadcast television. The REA did not expressly delineate the use of FY 2019 funds among the various categories of eligible recipients. In implementing the REA for the new universe of entities eligible for reimbursement, the Commission determined in the *REA Report & Order*, adopted March 15, 2021, that reimbursement of full power and Class A stations and MVPDs would be prioritized over reimbursement of LPTV/TV Translator and FM stations.

Pursuant to the REA, the reimbursement period for the TVBRF extends to July 3, 2023. At that time, any unobligated amounts "shall be rescinded and deposited in the general fund of the Treasury." Amounts allocated to stations in the reimbursement program are obligated amounts. There are a small number of TV stations in program which are expected to incur costs as a result of the repack beyond July 3, 2023 due to circumstances beyond their control. Therefore, some such stations may be granted an extension of the final invoice filing deadline beyond July 3, 2023 where such stations: (1) will incur costs after July 3, 2023, (2) can substantiate that the station has diligently pursued construction project during the program period, (3) face circumstances beyond station's control, and (4) provides estimates and documentation sufficient to support a verified estimate for costs to be incurred after July 3, 2023 and receives an allocation of such verified estimate.

As of September 30, 2022, the Commission made a total allocation of $2,041,498 for eligible full power and Class A broadcasters, MVPDs, LPTV/TV Translators and FM stations of which $2,041,253 has been obligated and $1,787,647 has been expended.

Accrued Liabilities are recorded in the TVBRF for exchange expenses which includes invoices received but not processed and for costs incurred but not invoiced. As of September 30, 2022, an accrued accounts payable of $29,917 was recorded for the full power and Class A broadcasters, MVPDs, LPTV/TV Translators and FM stations.

P. Affordable Connectivity Fund

On December 27, 2020, the Consolidated Appropriations Act, 2021 (Consolidated Appropriations Act, P.L. 116-260), was signed into law. In the Consolidated Appropriations Act, Congress appropriated $3,200,000 for the Emergency Broadband Connectivity Fund (EBCF) for fiscal year 2021, to remain available until expended or six months after the end of the public health emergency. The Consolidated Appropriations Act directed the Commission to use that funding to establish the Emergency Broadband Benefit Program (EBCF-EBBP), under which eligible low-income households may receive a discount off the cost of broadband service and certain connected devices during an emergency period relating to the COVID-19 pandemic, and participating providers can receive a reimbursement for such discounts. Enrollments in the EBCF-EBBP ceased on December 30, 2021 and the successor program, the Affordable Connectivity Program (ACP) began on December 31, 2021.

On November 15, 2021, the Infrastructure Act , 2021, was signed into law. In the Infrastructure Act, Congress appropriated $14,200,000 to build on the EBCF-EBBP and replace it with the longer-term broadband Affordable Connectivity Program.

Note 1 – Summary of Significant Accounting Policies (continued)

P. Affordable Connectivity Fund (continued)

The Infrastructure Act directed the Commission to use that funding to establish the ACP, under which eligible low-income households may receive a discount off of the cost of broadband service and certain connected devices, and participating providers can receive a reimbursement for passing such discounts on to eligible households. The Infrastructure Act also permitted the Commission to use that funding to conduct outreach for and raise awareness of the ACP. The Commission set aside $100,000 for this outreach effort and $10,000 for broadband mapping.

To participate in the ACP, a provider must elect to participate, and either be designated as an eligible telecommunications carrier or be approved by the Commission. Participating providers make available to eligible households a monthly discount off the cost of an Internet service offering and associated equipment, up to $30 dollars per month. On Tribal lands, the monthly discount may be up to $75 dollars per month. Participating providers receive reimbursement from the ACP for the discounts provided. Participating providers that also supply an eligible household with a laptop, desktop computer, or tablet (connected device) may receive a single reimbursement of up to $100 dollars for the connected device, if the charge to and payment from the eligible household for that device is more than $10 dollars but less than $50 dollars. A participating provider may receive reimbursement for only one supported device per eligible household. Providers must submit certain certifications to the Commission to receive reimbursement from the ACP, and the Commission is required to adopt audit requirements to ensure provider compliance and prevent waste, fraud, and abuse.

In implementing the ACP, the Infrastructure Act permits the Commission to apply rules contained in part 54 of the Commission's rules, including those governing the Lifeline program. The Infrastructure Act further permits the Commission to avail itself of USAC's services to administer the ACP. Consistent with the Infrastructure Act, the Commission adopted a *Report and Order* on January 14, 2022 adopting the rules and policies creating and governing the ACP. The Commission's Wireline Competition Bureau, other Commission staff and USAC have established processes and systems to administer the ACP, including approval and election processes for broadband providers to participate, consumer application and enrollment processes, and provider reimbursement processes. Consumers can apply for the ACP through the National Verifier at acpbenefit.org or through service providers' alternative verification processes.

As of September 30, 2022, approximately 14.1 million households were enrolled in the ACP. In FY 2022, the FCC obligated $2,049,376 and had net outlays of $1,496,528 for the ACP and broadband mapping. For EBCF-EBBP obligations and net outlays see Note 18.

Q. Connect America Fund

After completing the Connect America Fund Phase II reverse auction (CAF II Auction), the FCC committed to award a potential total of $1,488,330 over a 10-year period. As of September 30, 2022, the FCC has directed USAC to obligate a total of $1,476,785 for carriers who have successfully complied with the requirements to be eligible to receive support to provide fixed broadband and voice services to over 700,000 locations in 45 states. There are $3,999 bids in default as of September 30, 2022, leaving a balance of $7,546 to be obligated. In addition, the FCC committed to award a potential total of $170,400 to carriers that won the CAF II New York Auction over a 10-year period. As of September 30, 2022, FCC has directed USAC to obligate a total amount of $65,487, with remaining balance of $104,913 to be obligated. There were $131 for CAF II and $89 for CAF II New York de-obligation due to lack of CFR compliance as of September 30, 2022.

Note 1 – Summary of Significant Accounting Policies (continued)

R. Rural Digital Opportunity Fund (RDOF)

Pursuant to a public notice, DA 20-1422, released by the Rural Broadband Auctions Task Force (RBATF), Wireline Competition Bureau (WCB), and the Office of Economics and Analytics (OEA) on December 7, 2020, there were 180 winning bidders in the Rural Digital Opportunity Fund Phase I auction (Auction 904), with the 10-year support amount totaling $9,230,688 and covering 5,220,833 locations in 49 states and one territory. As of September 30, 2022, the FCC has directed USAC to obligate a total of approximately $5,199,679 for the applicants who have successfully complied with the requirements to be eligible to receive support to provide voice and broadband services. As of September 30, 2022, the Commission has announced that applicants have defaulted on a total of approximately $2,417,586 in support associated with winning bids. Applicants defaulted on their winning bids for various reasons.

S. Comparison and Other

Certain FY 2021 amounts have been reclassified to conform to the FY 2022 presentation. Specifically, the Statement of Changes in Net Position (SCNP) and the Statement of changes in Custodial Activity (SCA). The FCC collects revenue on behalf of the Treasury. These collections do not affect the FCC's net position. To demonstrate more clearly the relationship between the FCC's net position and its custodial activity, the FCC is reporting its SCNP and SCA together in one presentation. The presentation of the FY 2021's SCNP and SCA were modified to be consistent with the FY 2022 presentation.

Note 2 – Non-entity Assets

The following summarizes Non-entity Assets as of September 30, 2022 and September 30, 2021:

	FY 2022	FY 2021
Intragovernmental:		
Fund Balance with Treasury	$ 3,567,869	$ 84,938,731
Accounts Receivable	-	351
Total Intragovernmental	3,567,869	84,939,082
Accounts Receivable, Net	28,150	23,283
Total Non-entity Assets	3,596,019	84,962,365
Total Entity Assets	28,963,819	21,177,722
Total Assets	$ 32,559,838	$ 106,140,087

Non-entity Fund Balance with Treasury (FBWT) primarily represents auction deposits. Accounts receivable considered non-entity include regulatory fees, application fees, fines and forfeitures, spectrum auctions, and International Telecommunications Settlement (ITS) charges.

Note 3 – Fund Balance with Treasury

The following summarizes FBWT as of September 30, 2022 and September 30, 2021:

	FY 2022	FY 2021
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$ 2,566,331	$ 2,614,812
Unavailable	17,715	17,367
Obligated Balance not yet Disbursed	25,612,204	17,641,864
Non-Budgetary FBWT	3,567,869	84,938,731
Total	$ 31,764,119	$ 105,212,774

The FBWT includes general funds, revolving funds, special funds, and deposit funds.

General Funds – Includes the salaries and expense appropriation used to fund agency operations, COVID-19 Telehealth Program, Broadband DATA Act program, ACP, EBCF-EBBP, SCRP, ECF, the auction and reimbursable accounts, the credit reform program account, other no-year accounts used to carry over spectrum auction funds, offsetting collections, and the Office of Inspector General USF funds.

Revolving Funds – Includes the credit reform financing account used to record cash flows associated with the Commission's spectrum auction loan program.

Special Funds – Includes funds from TVBRF, USF and TRS fund. TVBRF is for relocation costs reasonably incurred by full power and Class A broadcasters, MVPDs, LPTV, TV Translator, and FM stations who were involuntarily reassigned to new channels or incurred reimbursable expenses as a result of the BIA, and for consumer education relating to the reorganization of broadcast television. Universal Service Funds are for the four USF programs and the CCPP. The USF programs are exempt from the application of the provisions of the Anti-deficiency Act by Congress through December 31, 2022 and are not subject to an apportionment by OMB.

Deposit Funds – Includes monies being held for ITS, regulatory fees and spectrum auctions. Deposit funds are non-budgetary and are not available for use by the Commission unless they are properly identified or reclassified as Commission funds. Otherwise, these funds are returned to the depositor or transferred to the Treasury General Fund or other federal agencies.

Note 4 – Accounts Receivable, Net

The following summarizes Accounts Receivable, Net as of September 30, 2022 and September 30, 2021:

FY 2022	Intragovernmental	Public	Total
Gross Accounts Receivable	$ 8	$ 1,903,554	$ 1,903,562
Allowance for Doubtful Accounts	-	(1,217,677)	(1,217,677)
Accounts Receivable, Net	$ 8	$ 685,877	$ 685,885

Note 4 – Accounts Receivable (continued)

FY 2021	Intragovernmental	Public	Total
Gross Accounts Receivable	$ 361	$ 2,017,259	$ 2,017,620
Allowance for Doubtful Accounts	-	(1,194,172)	(1,194,172)
Accounts Receivable, Net	$ 361	$ 823,087	$ 823,448

The following summarizes accounts receivable by type as of September 30, 2022 and September 30, 2021:

	FY 2022			FY 2021		
	Accounts Receivable	Allowance	Net	Accounts Receivable	Allowance	Net
USF	$ 1,157,472	$ (525,345)	$ 632,127	$ 1,267,232	$ (516,841)	$ 750,391
TRS	101,103	(78,248)	22,855	118,377	(73,677)	44,700
Regulatory Fees	33,270	(22,198)	11,072	27,509	(21,230)	6,279
Spectrum Auction	8,680	(8,680)	-	8,680	(8,680)	-
Civil Monetary Penalties	586,225	(573,425)	12,800	580,919	(566,556)	14,363
ECF	4,370	(2,379)	1,991	-	-	-
Other	12,442	(7,402)	5,040	14,903	(7,188)	7,715
Total	$ 1,903,562	$ (1,217,677)	$ 685,885	$ 2,017,620	$ (1,194,172)	$ 823,448

The Commission expects to collect 100% of intragovernmental receivables and no allowance is recorded.

Note 5 – General Property, Plant and Equipment, Net

The following table summarizes total PP&E and accumulated depreciation as of September 30, 2022 and September 30, 2021.

	FY 2022 Net PP&E	FY 2021 Net PP&E
Balance beginning of year	$ 84,202	$ 79,878
Capitalized acquisitions	30,539	24,031
Depreciation expense	(19,657)	(19,707)
Balance at end of year	$ 95,084	$ 84,202

Note 6 – Liabilities Not Covered by Budgetary Resources

The following summarizes Liabilities Not Covered by Budgetary Resources as of September 30, 2022 and September 30, 2021:

	FY 2022	FY 2021
Intragovernmental:		
FECA Liability	$ 422	$ 435
Unemployment Liability	-	2
Total Intragovernmental	422	437
Unfunded Leave	22,418	24,547
Actuarial FECA Liability	1,676	1,953
Other:		
Energy Savings Performance Contract	6,362	6,610
Accrued Liabilities for USF and TRS	596,528	490,897
Total liabilities not covered by budgetary resources	627,406	524,444
Total liabilities covered by budgetary resources	1,157,311	934,309
Total liabilities not requiring budgetary resources	3,584,948	84,956,087
Total Liabilities	$ 5,369,665	$ 86,414,840

Liabilities not covered by budgetary resources are liabilities incurred that are not covered by realized budgetary resources as of the Balance Sheet date.

Note 7 – Other Liabilities

The following summarizes Other Liabilities as of September 30, 2022 and September 30, 2021:

	FY 2022	FY 2021
Intragovernmental		
Liability to the General Fund and Other Non-Entity Assets	$ 3,114,831	$ 84,234,840
Other	4,307	3,868
Total Intragovernmental	3,119,138	84,238,708
Other than Intragovernmental		
Prepaid Contributions	102,265	44,563
Accrued Liabilities for USF and TRS	596,528	490,897
Deposit/ Unapplied Liability	2,509	606,917
Other	26,459	23,362
Total Other than Intragovernmental	727,761	1,165,739
Total Other Liabilities	$ 3,846,899	$ 85,404,447

The Liability to the General Fund and Other Non-Entity Assets includes both cash collected, and net accounts receivable being held for transfer to the Treasury General Fund or other Federal agencies. The

Note 7 – Other Liabilities (continued)

Commission collects the following types of custodial revenue: fines and forfeitures revenue, penalty revenue on regulatory fees and spectrum auctions program revenue.

Prepaid Contributions include USF and TRS contribution overpayments that may be refunded or used to offset future payments. Accrued Liabilities for USF and TRS primarily represent anticipated future payments for the Lifeline program, and certain support mechanisms within the High Cost program and Telecommunications Relay Service. The obligations for these subsidies are not recognized until payment files are approved in the subsequent month. Remaining Other Liabilities primarily represent anticipated payments related to payroll and other services, Energy Saving Performance Contract, and funds received that are being held until proper application is determined.

Note 8 – Commitments and Contingencies

The Commission is a party in various administrative proceedings, legal actions, and claims brought by or against the agency. The Commission, USAC, and the U.S. Department of Justice are investigating several cases and prosecuting others related to disbursements of universal service funds from its programs which might result in future proceedings or actions. Similarly, the Commission, the TRS fund administrator, and the U.S. Department of Justice are investigating several cases related to the TRS funds. The complexity of these future actions precludes management from estimating the total amount of recovery that may result.

In addition, there are certain operating leases and contracts that may contain provisions regarding contract termination costs upon early contract termination. In the management's opinion, early contract termination will not materially affect the Commission's consolidated financial statements.

As of September 30, 2022, the likelihood of an unfavorable outcome on all current legal cases is considered remote and no additional disclosure is needed.

Note 9 – Funds from Dedicated Collections

The telecommunications companies in the U.S. are obligated to make contributions to the USF and the TRS Fund. The Commission currently recognizes the contributions collected under the USF and TRS as Non-exchange revenue on its Statement of Changes in Net Position and Custodial Activity, and the related disbursements as program expenses on the Statement of Net Cost. The program costs for the USF are allocated to the strategic goal Pursue a "100 Percent" Broadband Policy, and the program costs for the TRS are allocated to strategic goals Promote Diversity, Equity, Inclusion and Accessibility and Empower Consumers.

As previously discussed, the Spectrum Act requires the Commission to reimburse relocation costs reasonably incurred by full power and Class A broadcasters and MVPDs who are involuntarily reassigned to new channels as a result of the BIA. In FY 2018, Congress appropriated additional funding and also expanded the universe of entities eligible for reimbursement. These reimbursement costs are accounted for in the U.S. Budget as the "TV Broadcaster Relocation Fund," which is funded by forward auction proceeds and direct appropriations. The Commission recognized the reimbursement costs for the TVBRF as program expenses on the Statement of Net Cost.

The Commission had no activity related to Gifts and Bequests in FYs 2022 and 2021.

Note 9 – Funds from Dedicated Collections (continued)

The following pages summarize the significant assets, liabilities, and costs incurred related to the TVBRF, USF and TRS as of September 30, 2022 and September 30, 2021. The information below is shown on a combined and consolidated bases. The Commission had no eliminations between dedicated collection funds. Therefore, the combined and consolidated are the same.

FY 2022	TVBRF	USF	TRS	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet as of September 30, 2022				
Intragovernmental				
Fund Balance with Treasury	$ 972,308	$ 6,280,370	$ 539,923	$ 7,792,601
Total intragovernmental assets	972,308	6,280,370	539,923	7,792,601
Other than intragovernmental				
Accounts receivable, net	734	632,156	22,880	655,770
General property, plant, and equipment, net	-	11,492	1,072	12,564
Advances and prepayments	-	13,024	-	13,024
Total other than intragovernmental	734	656,672	23,952	681,358
Total assets	$ 973,042	$ 6,937,042	$ 563,875	$ 8,473,959
Other than intragovernmental				
Accounts payable	$ 31,386	$ 329,606	$ 5,537	$ 366,529
Deferred revenue	-	-	6,645	6,645
Prepaid contributions	-	100,349	1,916	102,265
Accrued liabilities	-	386,751	209,777	596,528
Total liabilities	$ 31,386	$ 816,706	$ 223,875	$ 1,071,967
Unexpended appropriations	$ 759,909	$ -	$ -	$ 759,909
Cumulative results of operations	181,747	6,120,336	340,000	6,642,083
Total liabilities and net position	$ 973,042	$ 6,937,042	$ 563,875	$ 8,473,959
Statement of Net Cost for the Year Ended September 30, 2022				
Net cost of operations	$ 70,406	$ 7,848,368	$ 1,222,448	$ 9,141,222
Statement of Changes in Net Position for the Year Ended September 30, 2022				
Unexpended Appropriations:				
Beginning balances	$ 819,020	$ -	$ -	$ 819,020
Appropriations used	(59,111)	-	-	(59,111)
Total unexpended appropriations	759,909	-	-	759,909
Cumulative results of operations:				
Beginning balance	193,042	6,439,878	315,552	6,948,472
Appropriations used	59,111	-	-	59,111
Other than intragovernmental non-exchange revenue	-	7,528,826	1,246,896	8,775,722
Net cost of operations	70,406	7,848,368	1,222,448	9,141,222
Net Change in Cumulative Results of Operations	(11,295)	(319,542)	24,448	(306,389)
Cumulative Results of Operations: Ending	181,747	6,120,336	340,000	6,642,083
Net Position, end of period	$ 941,656	$ 6,120,336	$ 340,000	$ 7,401,992

Note 9 – Funds from Dedicated Collections (continued)

FY 2021	TVBRF	USF	TRS	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet as of September 30, 2021				
Intragovernmental				
Fund Balance with Treasury	$ 1,098,862	$ 6,404,781	$ 495,349	$ 7,998,992
Total intragovernmental assets	1,098,862	6,404,781	495,349	7,998,992
Other than intragovernmental				
Accounts receivable, net	3,324	750,391	44,733	798,448
General property, plant, and equipment, net	-	11,345	233	11,578
Advances and prepayments	-	18,024	-	18,024
Total other than intragovernmental	3,324	779,760	44,966	828,050
Total assets	$ 1,102,186	$ 7,184,541	$ 540,315	$ 8,827,042
Other than intragovernmental				
Accounts payable	$ 90,124	$ 419,487	$ 5,502	$ 515,113
Deferred revenue	-	-	8,977	8,977
Prepaid contributions	-	42,899	1,664	44,563
Accrued liabilities	-	282,277	208,620	490,897
Total liabilities	$ 90,124	$ 744,663	$ 224,763	$ 1,059,550
Unexpended appropriations	$ 819,020	$ -	$ -	$ 819,020
Cumulative results of operations	193,042	6,439,878	315,552	6,948,472
Total liabilities and net position	$ 1,102,186	$ 7,184,541	$ 540,315	$ 8,827,042
Statement of Net Cost for the Year Ended September 30, 2021				
Net cost of operations	$ (23,809)	$ 8,795,041	$ 1,420,828	$ 10,192,060
Statement of Changes in Net Position for the Year Ended September 30, 2021				
Unexpended Appropriations:				
Beginning balance	$ 857,848	$ -	$ -	$ 857,848
Appropriations used	(38,828)	-	-	(38,828)
Total unexpended appropriations	819,020	-	-	819,020
Cumulative results of operations:				
Beginning balances	130,405	5,942,105	179,271	6,251,781
Appropriations used	38,828	-	-	38,828
Other than intragovernmental non-exchange revenue	-	9,292,814	1,557,109	10,849,923
Net cost of operations	(23,809)	8,795,041	1,420,828	10,192,060
Net Change in Cumulative Results of Operations	62,637	497,773	136,281	696,691
Cumulative Results of Operations: Ending	193,042	6,439,878	315,552	6,948,472
Net Position, end of period	$ 1,012,062	$ 6,439,878	$ 315,552	$ 7,767,492

Note 9 – Funds from Dedicated Collections (continued)

The FY 2022 and FY 2021 funds from dedicated collections are presented on a combined basis. The tables below summarize the elimination of activities between dedicated collections and all other fund types to arrive at the consolidated assets and liabilities as presented on the balance sheet.

	Dedicated Collections Combined	All Other Amounts (with Eliminations)	Total Combined	Consolidating Eliminations Between Dedicated & All Other	Consolidated
FY 2022					
Assets other than intragovernmental					
Accounts Receivable, Net	$ 655,770	$ 30,186	$ 685,956	$ (79)	$ 685,877
Liabilities other than intragovernmental					
Other liabilities - Other	$ -	$ 26,538	$ 26,538	$ (79)	$ 26,459

	Dedicated Collections Combined	All Other Amounts (with Eliminations)	Total Combined	Consolidating Eliminations Between Dedicated & All Other	Consolidated
FY 2021					
Assets other than intragovernmental					
Accounts Receivable, Net	$ 798,448	$ 24,672	$ 823,120	$ (33)	$ 823,087
Liabilities other than intragovernmental					
Other liabilities - Other	$ -	$ 23,395	$ 23,395	$ (33)	$ 23,362

Note 10 – Inter-Entity Costs

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the Commission are recognized as imputed cost in the Statement of Net Cost and are offset by imputed revenue in the Statement of Changes in Net Position. Such imputed costs and revenues relate to employee benefits. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

Note 11 – Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders totaled $24,611,515 as of September 30, 2022 and $16,812,274 as of September 30, 2021. The following summarizes Undelivered Orders as of September 30, 2022 and September 30, 2021:

Note 11 – Undelivered Orders at the End of the Period (continued)

FY 2022	Federal	Non-Federal	Total
Undelivered Orders-Unpaid	$ 11,545	$ 24,585,220	$ 24,596,765
Undelivered Orders-Paid	1,726	13,024	14,750
Total	$ 13,271	$ 24,598,244	$ 24,611,515

FY 2021	Federal	Non-Federal	Total
Undelivered Orders-Unpaid	$ 5,627	$ 16,786,984	$ 16,792,611
Undelivered Orders-Paid	1,639	18,024	19,663
Total	$ 7,266	$ 16,805,008	$ 16,812,274

Note 12 – Permanent Indefinite Appropriations

The Commission has permanent indefinite appropriations available to fund its USF programs and TRS, subsidy costs incurred under credit reform programs, and the development and implementation costs related to the competitive auction program.

Pursuant to 47 U.S.C. § 254 and § 225, the FCC has a permanent indefinite appropriation to fund its universal service programs including the TRS Fund. These programs operate by collecting mandatory contributions from telecommunications carriers providing interstate telecommunications services, and from other providers of interstate telecommunications required to contribute if the public interest so requires.

Credit reform is mainly available to finance any disbursements incurred under the liquidating accounts. These appropriations become available pursuant to standing provisions of law without further action by Congress after transmittal of the budget for the year involved. They are treated as permanent the first year they become available, as well as in succeeding years. However, they are not stated as specific amounts but instead are determined by specified variable factors, such as cash needs for liquidating accounts, and information about the actual performance of a cohort or estimated changes in future cash flows of the cohort in the program accounts.

Pursuant to 47 U.S.C. § 309(j)(8)(B), the FCC can retain proceeds from spectrum auctions for amounts that may be necessary for the costs of developing and implementing the competitive auction program. These retained proceeds are offsetting collections that remain available until expended. Notwithstanding 47 U.S.C. § 309(j)(8)(B), for FY 2022, Congress limited the amount of the auction proceeds that may be retained and made available for obligation to $128,621.

Note 13 – Legal Arrangements Affecting Use of Unobligated Balances

Offsetting collections received in excess of $381,950 in FY 2022 and $374,000 in FY 2021 are precluded from obligation. In addition, the RAY BAUM'S Act requires the Commission to transfer all excess regulatory fees collected from prior and subsequent fiscal years to the Treasury General Fund for the sole purpose of deficit reduction.

Note 14 – Explanation of Differences between the Statement of Budgetary Resources and the Budget of the U.S. Government

There were no material differences between the Combined Statement of Budgetary Resources (SBR) for FY 2021 and the amounts presented in the FY 2023 Budget of the United States Government. The FY 2024 Budget of the United States Government, which will include actual numbers for FY 2022, has not been published at this time. Pursuant to 31 U.S.C. § 1105, the Budget of the United States Government will be released not later than the first Monday in February and will be available at the following website: https://www.whitehouse.gov/omb/budget/.

Note 15 – Custodial Revenues

In accordance with the provisions of SFFAS 7, *Accounting for Revenue & Other Financing Sources*, the Commission collects non-exchange revenues, on a modified cash basis of accounting, and do not affect the Commission's net cost or net position. Custodial collections consist of miscellaneous receipts, and fines and forfeitures to be deposited in the Treasury General Fund. Fines and Forfeitures are made up of consent decrees and forfeiture orders. Forfeiture orders are probable, measurable, and legally enforceable claims, but need to result in a judgement issued by a federal court before they become legally collectible debts. Consent decrees are legally collectible debts. Additionally, the Commission reports exchange revenue associated with radio spectrum auction proceeds on the Statement of Custodial Activity. For more information, refer to Note 1 L. The total custodial non-exchange collections as of September 30, 2022 and September 30, 2021 were $48,568 and $207,301, respectively. There were no material refunds issued for the period ended September 30, 2022 and September 30, 2021.

Note 16 – Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation)

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

The following analysis illustrates this reconciliation by listing the Commission's key differences between net cost and net outlays for the reporting period as of September 30, 2022 and September 30, 2021.

Note 16 – Reconciliation of Net Costs to Net Outlays (continued)

FY 2022	Intragovernmental	Other than Intragovernmental	Total
Net Cost of Operations	$ 115,179	$ 15,377,412	$ 15,492,591
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, plant, and equipment depreciation	-	(19,657)	(19,657)
Increase/(Decrease) in Assets:			
Accounts receivable, net	(1)	(4,099)	(4,100)
Other assets	87	(5,000)	(4,913)
(Increase)/Decrease in Liabilities:			
Accounts payable	1,299	(163,589)	(162,290)
Federal employee benefits payable	-	1,682	1,682
Other liabilities	(439)	(109,591)	(110,030)
Financing sources:			
Imputed cost	(12,789)	-	(12,789)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (11,843)	$ (300,254)	$ (312,097)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	-	30,539	30,539
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ -	$ 30,539	$ 30,539
Other Reconciling Items:			
Custodial/non-exchange revenue	(14,259)	-	(14,259)
Other temporary timing differences	-	(1,402)	(1,402)
Total Other Reconciling Items	$ (14,259)	$ (1,402)	$ (15,661)
NET OUTLAYS (Calculated Total)	$ 89,077	$ 15,106,295	$ 15,195,372
Budgetary Agency Outlays, net (SBR 4210)			
Outlays, net (total) (discretionary and mandatory)			15,235,623
Distributed offsetting receipts (-)			(40,251)
Budgetary Agency Outlays, net			$ 15,195,372

Note 16 – Reconciliation of Net Costs to Net Outlays (continued)

FY 2021	Intragovernmental	Other than Intragovernmental	Total
Net Cost of Operations	$ 111,701	$ 11,031,152	$ 11,142,853
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, plant, and equipment depreciation	-	(19,707)	(19,707)
Increase/(Decrease) in Assets:			
Accounts receivable, net	(78)	(18,565)	(18,643)
Other assets	(1,224)	-	(1,224)
(Increase)/Decrease in Liabilities:			
Accounts payable	8,606	(875)	7,731
Federal employee benefits payable	-	(85)	(85)
Other liabilities	203	(10,018)	(9,815)
Financing sources:			
Imputed cost	(13,240)	-	(13,240)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (5,733)	$ (49,250)	$ (54,983)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	-	24,031	24,031
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ -	$ 24,031	$ 24,031
Other Reconciling Items:			
Custodial/non-exchange revenue	(4,123)	12,549	8,426
Other temporary timing differences	-	(2,492)	(2,492)
Total Other Reconciling Items	$ (4,123)	$ 10,057	$ 5,934
NET OUTLAYS (Calculated Total)	$ 101,845	$ 11,015,990	$ 11,117,835
Budgetary Agency Outlays, net (SBR 4210)			
Outlays, net (total) (discretionary and mandatory)			11,152,514
Distributed offsetting receipts (-)			(34,679)
Budgetary Agency Outlays, net			$ 11,117,835

Note 17 – Disclosure Entities

Universal Service Administrative Company (USAC) – The Commission is responsible for the overall management and oversight of the USF, including all USF policy decisions. USAC was established in 1997 as a not-for-profit subsidiary of the National Exchange Carrier Association, Inc. (NECA), and in that same year, the FCC appointed USAC as the permanent administrator, under the Commission's direction, of the four USF programs. The four USF programs are High Cost, Lifeline, Rural Health Care, and E-Rate. USAC, as the administrator of the USF, is responsible for the effective administration of the USF programs, including billing, collection, and disbursement.

National Exchange Carrier Association, Inc. (NECA) – NECA was established as a non-stock Delaware corporation, which, pursuant to FCC rules, files interstate access tariffs and administers interstate access

Note 17 – Disclosure Entities (continued)

revenue pools for local telephone companies throughout the United States including its territories. NECA performs data collection functions for the High Cost program and bills USAC for the associated costs.

NECA is compensated by USAC in accordance with NECA's Cost Accounting and Procedures Manual. NECA has no management control over USAC and derives no economic benefits from this subsidiary relationship. NECA does not consolidate with USAC's financial statements since it does not meet the criteria for consolidation in accordance with the accounting standards for consolidation of all majority-owned subsidiaries. The investment in USAC, which is carried at cost, is insignificant to these financial statements.

Local Number Portability Administrator (LNPA) Program – The LNPA program facilitates portability of U.S. geographic telephone numbers between telephony service providers. The LNPA program provides and operates the Number Portability Administration Center (NPAC) system that provides local number portability for the United States, performing the service of porting telephone numbers between service providers. The LNPA program is funded by fees the LNPA charges telecommunications service providers for its service, pursuant to FCC rules.

The FCC exercises oversight of the LNPA procurement process and regulates local number portability. The FCC has authorized the telephony service provider industry consortium, North American Portability Management, LLC (NAPM), to procure the LNPA and oversee the LNPA's performance and operation of the LNPA program. Currently iconectiv, LLC is the LNPA under a contract with NAPM; iconectiv, LLC is a subsidiary, subject to a voting trust, of Telefonaktiebolaget LM Ericsson (d/b/a Ericsson), a publicly traded Swedish multinational networking and telecommunications company.

In accordance with SFFAS 47, *Reporting Entity,* the Commission has excluded the North American Numbering Plan Administrator (NANPA) Program and the North American Portability Management, LLC (NAPM) because they are immaterial disclosure entities. None of these entities substantially meet the requirements for consolidated entities. As of September 30, 2022, the likelihood is considered remote of any potential financial and non-financial risks or benefits for the Commission associated with the control of or involvement with USAC, NECA, or LNPA program. USAC and NECA are all not-for-profit corporations and LNPA is a program pursuant to FCC rules. USAC's annual reports are available at https://www.usac.org, while NECA's annual reports are available at https://www.neca.org. LNPA program's annual reports are submitted to North American Portability Management LLC, which provides them to the FCC.

The following summarizes the balances from transactions with Disclosure Entities as of September 30, 2022 and September 30, 2021.

Note 17 – Disclosure Entities (continued)

FY 2022	USAC	NECA	Total
Balance Sheet			
Advances and prepayments (Note 1 G)	$ 13,024	$ -	$ 13,024
Accounts payable[1]	17,475	-	17,475
Statement of Net Cost			
Net cost of operations[2]	$ 220,957	$ 413	$ 221,370
Statement of Changes in Net Position			
Net cost of operations[2]	$ 220,957	$ 413	$ 221,370

FY 2021	USAC	NECA	Total
Balance Sheet			
Advance and prepayments (Note 1 G)	$ 18,024	$ -	$ 18,024
Accounts payable[1]	12,813	-	12,813
Statement of Net Cost			
Net cost of operations[2]	$ 196,364	$ 321	$ 196,685
Statement of Changes in Net Position			
Net cost of operations[2]	$ 196,364	$ 321	$ 196,685

Note 18 – COVID-19 Activity

The charts below summarize the amounts received and used under each program as of September 30, 2022 and September 30, 2021, for the Government-wide Treasury Account Symbol Adjusted Trial-Balance System's (GTAS) Disaster and Emergency Funding (DEF) Codes N, O and V. The authority for the DEF Codes are as follows:

N – Coronavirus Aid, Relief, and Economic Security (CARES) Act, P. L. No. 116-136, Emergency

O – CARES Act, P. L. No. 116-136, Nonemergency; Paycheck Protection Program and Health Care Enhancement Act, P. L. No. 116-139, Nonemergency; Consolidated Appropriations Act, 2021, P. L. No. 116-260, Nonemergency; American Rescue Plan Act of 2021 (ARPA), P. L. No. 117-2, Nonemergency

V – ARPA, P. L. No. 117-2, Nonemergency

[1] This portion in the accounts payable consists of the USF administrative fees due to USAC and NECA.

[2] This portion of the operation expenses includes the administrative fees incurred in USF. The Commission approves the administrative costs to cover expenses such as: the salaries and benefits for the employees dedicated to managing the funds; rent and utilities for office space used; accounting and other financial reporting related services; and other management activities.

Note 18 – COVID-19 Activity (continued)

FY 2022

COVID-19 Activity Funded by DEF Code N, O & V	COVID-19 Telehealth (Round 1) DEF: N	COVID-19 Telehealth (Round 2) DEF: O	EBCF-EBBP DEF: O	ECF DEF: V	SCRP DEF: O	Total
Budgetary Resources: Unobligated (and unexpired) Balance Carried Forward from PY	$ 5,903	$ 160,256	$ 2,292,443	$ 5,860,909	$ 1,893,182	$ 10,212,693
Rescissions(-)/Other Changes (+/-) to Budgetary Resources	7,587	50	1,277	139,539	-	148,453
Budgetary Resources Obligated (-)	(13,489)	(160,010)	(2,248,470)	(4,598,872)	(1,838,991)	(8,859,832)
Budgetary Resources: Ending Unobligated (and unexpired) Balance to be Carried Forward	$ 1	$ 296	$ 45,250	$ 1,401,576	$ 54,191	$ 1,501,314
Outlays, Net (Total)	$ 5,274	$ 101,254	$ 2,581,460	$ 1,896,104	$ 7,058	$ 4,591,150

FY 2021

COVID-19 Activity Funded by DEF Code N, O & V	COVID-19 Telehealth (Round 1) DEF: N	COVID-19 Telehealth (Round 2) DEF: O	EBCF-EBBP DEF: O	ECF DEF: V	SCRP DEF: O	Total
Budgetary Resources: Unobligated (and unexpired) Balance Carried Forward from PY	$ -	$ -	$ -	$ -	$ -	$ -
New Budget Authority	-	249,950	3,200,000	7,172,000	1,900,000	12,521,950
Rescissions(-)/Other Changes (+/-) to Budgetary Resources	5,903	-	-	-	-	5,903
Budgetary Resources Obligated (-)	-	(89,694)	(907,557)	(1,311,091)	(6,818)	(2,315,160)
Budgetary Resources: Ending Unobligated (and unexpired) Balance to be Carried Forward	$ 5,903	$ 160,256	$ 2,292,443	$ 5,860,909	$ 1,893,182	$ 10,212,693
Outlays, Net (Total)	$ 148,139	$ 1,125	$ 572,662	$ 4,212	$ 2,371	$ 728,509

COVID-19 Telehealth Program (Round 1) – Due to the ongoing novel COVID-19 pandemic, the Commission established the COVID-19 Telehealth Program through a *Report and Order* released on April 2, 2020. The Commission began accepting applications for the COVID-19 Telehealth Program (Round 1) on April 13, 2020 and stopped accepting applications on June 25, 2020. Round 1 of the COVID-19 Telehealth Program was funded through a $200,000 Congressional appropriation as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, to immediately support eligible health care providers responding to the pandemic by providing funding for telecommunications services, information services, and connected devices necessary to provide critical connected care services whether for treatment of the COVID-19 disease or other health conditions during the COVID-19 pandemic. The COVID-19 Telehealth Program is an emergency funding program, not a grant program, that is designed to provide flexibility for eligible health care providers that apply for and receive funding commitments, and then request reimbursement for eligible expenses that they have purchased and received from their service providers or vendors under Round 1 of the COVID-19 Telehealth Program.

In FY 2022, the amount obligated from the de-obligated funds from Round 1 was $13,489 and net outlays were $5,274. The de-obligated fund balance of $1 was carried forward. In FY 2021, the amount obligated for Round 1 was $0 and net outlays were $147,932. The amount of $5,903 was de-obligated and carried forward.

Note 18 – COVID-19 Activity (continued)

COVID-19 Telehealth Program (Round 2) – On December 27, 2020, the Consolidated Appropriations Act, 2021 was signed into law, which appropriated an additional $249,950 to the Commission's COVID-19 Telehealth Program (Round 2) of which $50 was for the Office of Inspector General (OIG). This additional funding allows the Commission to continue its efforts to expand telehealth and connected care throughout the country and enable patients to access necessary health care services while helping slow the spread of the disease. Per congressional mandate, the Commission was required to seek comment on various ideas related to the new funding, including the criteria to use to evaluate applications and how to treat pending applications from Round 1. The Commission released a Public Notice seeking comment on these issues on January 6, 2021. On March 30, 2021, the Commission released a *Report and Order and Order on Reconsideration* setting forth additional details about the policies and procedures that would apply during Round 2. On April 15, 2021, the Bureau released a Public Notice announcing the duration of the Round 2 application filing window, which opened on April 29, 2021 and closed on May 6, 2021.

On August 26, 2021, WCB released a Public Notice announcing the first group of funding to 62 awardees for Round 2, and subsequently released three additional Public Notices, on September 29, 2021, October 21, 2021, and November 9, 2021, announcing additional funding awardees. On July 29, 2022, a Public Notice announced that the deadline for all purchases and implementation of services is October 31, 2022 and the deadline for submission of all invoices and requests for reimbursement is October 31, 2023.

For FY 2022, the Commission obligated $160,010 of the Round 2 funding and had net outlays of $101,254. Unobligated balances of $296 were carried forward. In FY 2021, the Commission obligated $89,694 of the Round 2 funding and had net outlays of $1,125 of budgetary resources. Unobligated balances of $160,256 were carried forward. Also, see Note 1 H and L, and Note 3.

Emergency Broadband Connectivity Fund, Emergency Broadband Benefit Program (EBCF-EBBP) – On December 27, 2020, the Consolidated Appropriations Act, 2021 (Consolidated Appropriations Act) was signed into law. In the Consolidated Appropriations Act, Congress appropriated $3,200,000 for the Emergency Broadband Connectivity Fund (EBCF) for FY 2021, to remain available until expended or six months after the end of the public emergency. The Consolidated Appropriations Act directed the Commission to use that funding to establish the Emergency Broadband Benefit Program (EBBP), under which eligible low-income households may receive a discount off the cost of broadband service and certain connected devices during an emergency period relating to the COVID-19 pandemic, and participating providers can receive a reimbursement for such discounts. Enrollments in the EBBP ceased on December 30, 2021 and the successor program, the Affordable Connectivity Program (ACP) began on December 31, 2021. Note 1 P provides information about the ACP which is an extension of the EBCF-EBBP.

For FY 2022, the FCC obligated $2,248,470 of the EBCF-EBBP and had net outlays of $2,581,460. Unobligated balances of $45,250 were carried forward. In FY 2021, the FCC obligated $907,557 of the EBCF-EBBP and had net outlays of $572,662. Unobligated balances of $2,292,443 were carried forward. Also, see Note 1 H and L, and Note 3.

Emergency Connectivity Fund (ECF) – To help schools and libraries provide connected devices, such as a laptop, tablet, or similar end-user devices, and connectivity to students, school staff, and library patrons during the COVID-19 pandemic, Congress established a $7,172,000 ECF (of which $1,000 was for OIG), to remain available until September 30, 2030 as part of the American Rescue Plan Act of 2021 (ARPA) signed into law on March 11, 2021. Pursuant to congressional directive, on March 16, 2021, WCB sought comment on the provision of support from the ECF consistent with section 7402 of the ARPA. Subsequently, on May 10, 2021, the Commission released a *Report and Order*

Note 18 – COVID-19 Activity (continued)

establishing the ECF Program and promulgating rules for the distribution of funding from the ECF. The *Report and Order* also designated the USAC as the program administrator with Commission oversight, and leverages the processes and structures used in the E-Rate Program for the benefit of schools and libraries already familiar with the E-Rate Program. It also adopts procedures to protect the limited funding from waste, fraud, and abuse.

The initial ECF Program application filing window opened on June 29, 2021 and closed on August 13, 2021. During the initial application filing window, eligible schools, libraries, and consortia of eligible schools and libraries, submitted requests for funding to purchase eligible equipment and services between July 1, 2021 and June 30, 2022 for use by students, school staff and library patrons who would otherwise lack sufficient access to connected devices and/or broadband connectivity to engage in remote learning during the COVID-19 emergency period. In view of outstanding demand and the recent spike in coronavirus cases, the FCC opened a second application filing window for schools and libraries to request funding for connected devices and broadband connections for off-campus to meet the unmet needs of students, school staff, and library patrons during the current school year (i.e., July 1, 2021 through June 30, 2022). The second ECF Program application filing window opened on September 28 and closed on October 13, 2021. On March 23, 2022, the Commission announced that a third application filing window would open on April 28, 2022, and close on May 13, 2022. During the third filing window, eligible schools and libraries could request funding for eligible equipment, non-recurring services, and up to 12 months of recurring services that will be delivered or received between July 1, 2022, through December 31, 2023.

For FY 2022, the FCC obligated $4,598,872 and had net outlays of $1,896,104. Unobligated balances of $1,401,576 were carried forward. In FY 2021, the FCC obligated $1,311,091 and net outlays of $4,212. Unobligated balances of $5,860,909 were carried forward. Also, see Note 1 H and L, and Note 3.

<u>Secure & Trusted Communications Networks Reimbursement Program or the Supply Chain Reimbursement Program (SCRP)</u> – On March 12, 2020, the Secure and Trusted Communications Networks Act of 2019 (Secure Networks Act) was signed into law. The Secure Networks Act, among other measures, directed the Commission to establish the SCRP to fund the removal, replacement, and disposal of covered communications equipment or services that pose an unacceptable risk to the national security of the United States or the security and safety of U.S. persons from the networks of providers of advanced communications service. On December 10, 2020, the Commission adopted a *Second Report and Order* implementing the Secure Networks Act by establishing rules for the SCRP. The SCRP provides funding allocations to eligible providers based on their estimated costs. SCRP recipients can then obtain funding disbursements from their allocation upon showing of actual expenses incurred. SCRP recipients have one year from the initial disbursement to complete the permanent removal, replacement, and disposal of covered communications equipment or services, unless a general and individual extensions of that deadline is granted by the Commission. Recipients of SCRP funds shall use these funds solely to: (1) permanently remove covered communications equipment and services from their networks; (2) replace the covered communications equipment and services with non-covered equipment or services; and (3) dispose of the covered communications equipment and services in accordance with the Secure Networks Act.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (Consolidated Appropriations Act), among other things, appropriated $1,900,000 to “carry out” the SCRP. In addition, the legislation amended the Secure Networks Act, expanding program eligibility from providers of advanced communications service with two million or fewer customers to providers with ten million or fewer customers. The Consolidated Appropriations Act also amended the definition of a provider of advanced communications service to specifically include certain non-commercial education institutions, healthcare providers, and libraries providing advanced communications service, and added a method for prioritizing funding that

Note 18 – COVID-19 Activity (continued)

differs from the approach adopted by the Commission in the *Second Report and Order*. The Commission released a *Third Report and Order*, on July 14, 2021, implementing the changes required by the Consolidated Appropriations Act and making additional clarifications about the SCRP. Notably, the Commission stated that the SCRP is limited to reimbursing the costs of removal, replacement, and disposal to communications equipment and service produced or provided by Huawei and ZTE that was obtained on or before June 30, 2020.

On April 28, 2021, WCB announced the selection of a contractor as the SCRP Fund Administrator to assist with processing applications and administering the Reimbursement Program. On August 3, 2021, WCB released a public notice adopting final procedures for and providing eligible providers of advanced communications services with additional guidance regarding the application filing and reimbursement process for the SCRP. WCB also finalized the information fields on the new FCC Form 5640, which participants must submit to request funding allocations and disbursements from the SCRP. The filing window to accept applications to participate in the SCRP opened on October 29, 2021 and closed on January 28, 2022. WCB issued approval and denial decisions on applications on July 15, 2022 and proceeded with issuing allocations consistent with the requirements of the Secure Networks Act and the Commission's rules.

For FY 2022, $1,838,991 was obligated with net outlays of $7,058. Unobligated balances of $54,191 were carried forward. In FY 2021, $6,818 was obligated with net outlays of $2,371. Unobligated balances of $1,893,182 was carried forward. Also, see Note 1 H and L, and Note 3.

Note 19 – Reclassification of Financial Statement Line Items for Financial Report Compilation Process

To prepare the *Financial Report of the U.S. Government* (*Financial Report*), the U.S. Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost and a Reclassified Statement of Changes in Net Position. Treasury eliminates intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the *Financial Report* statements. This note shows the FCC's financial statements and the FCC's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated *Financial Report* line items. A copy of the 2021 *Financial Report* can be found here: Bureau of the Fiscal Service -Reports, Statements & Publications (treasury.gov) and a copy of the 2022 *Financial Report* will be posted to this same site as soon as it is released.

The term "intragovernmental" is used in this note to refer to amounts that result from other components of the Federal Government.

The term "non-federal" is used in this note to refer to Federal Government amounts that result from transactions with non-federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

Note 19 – Reclassification of Financial Statement Line Items for Financial Report Compilation Process (continued)

Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Years September 30, 2022 and September 30, 2021

FY 2022 FCC SNC		Line Items Used to Prepare FY 2022 Government-wide SNC			
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**All Other than Dedicated Collections (with Eliminations)**	**Total**	**Reclassified Financial Statement Line**
Gross Costs	$ 16,039,157	$ 9,141,222	$ 6,781,592	$ 15,922,814	*Non-Federal Gross Cost*
	-	-	51,581	51,581	Benefit Program Costs
	-	-	12,789	12,789	Imputed Costs
	-	-	166,169	166,169	Buy/Sell Costs
	-	-	14,423	14,423	Other Expenses (w/o Reciprocals)
	-	-	***244,963***	***244,963***	***Total Intragovernmental Costs***
Total Gross Costs	***$ 16,039,157***	***$ 9,141,222***	***$ 7,026,555***	***$ 16,167,777***	*Total Reclassified Gross Costs*
Earned Revenue[3]	(546,566)	-	(416,867)	(416,867)	Non-Federal Earned Revenue
					Intragovernmental Revenue
	-	-	(129,697)	(129,697)	Buy/Sell Revenue
	-	-	(2)	(2)	Borrowing and Other Interest Revenue
	-	-	***(129,699)***	***(129,699)***	***Total Intragovernmental Earned Revenue***
Total Earned Revenue	***(546,566)***	-	***(546,566)***	***(546,566)***	***Total Reclassified Earned Revenue***
Gain/Loss-Pension/ORB/OPEB Assumptions					Gain/Loss on Changes in Actuarial Assumptions (Non-Federal)
Net Cost of Operations	**$ 15,492,591**	**$ 9,141,222**	**$ 6,479,990**	**$ 15,621,212**	**Net Cost of Operations**
Exchange Statement of Custodial Activity					
Refunds and Other Payments					
Auctions Salaries & Expenses	**-**	**-**	**(128,621)**	**(128,621)**	Buy/Sell Revenue (Intradepartmental Eliminations for Auctions Salaries & Expenses)[3]
Net Cost of Operations	**$ 15,492,591**	**$ 9,141,222**	**$ 6,351,369**	**$ 15,492,591**	**Net Cost of Operations**

[3] Pursuant to 47 U.S.C. § 309, the Commission may retain a portion of the spectrum auction proceeds to offset the cost of performing the auction function. Collections used to offset the cost of performing auction-related activity were appropriated at $128,621 in FY 2022 and $134,495 for FY 2021. At the agency level these amounts are recognized on the Consolidated Statement of Custodial Activity in the "Refunds and Other Payments" sections on the line "Auctions Salaries & Expenses (FCC)" and the "Less: earned revenues not attributed to programs" on the Consolidated Statement of Net Cost. At the government-wide level these amounts are eliminated on the Reclassified Statement of Net Cost. Also, at the agency level, standard general ledger (SGL) 679000 Other Expenses Not Requiring Budgetary Resources, custodial is not cross walked to the Statement of Net Cost. At the government-wide level, SGL 679000 Other Expenses Not Requiring Budgetary Resources, custodial and non-custodial are cross walked to the Reclassified Statement of Net Cost.

Note 19 – Reclassification of Financial Statement Line Items for Financial Report Compilation Process (continued)

AFR Line	2021 FCC SONC	Dedicated Collections Combined	All Other Amounts (with Eliminations)	2021 Reclassified SONC Total	Reclassified Line
Gross Costs	$ 11,679,218	$ 10,192,060	$ 1,374,634	$ 11,566,694	Non-Federal Gross Cost
	-	-	49,402	49,402	Benefit Program Costs
	-	-	13,241	13,241	Imputed Costs
	-	-	35,556	35,556	Buy/Sell Costs
	-	-	14,325	14,325	Other Expenses (w/o Reciprocals)
	-	-	*112,524*	*112,524*	***Total Intragovernmental Costs***
Total Gross Costs	***$ 11,679,218***	***$ 10,192,060***	***$ 1,487,158***	***$ 11,679,218***	***Total Reclassified Gross Costs***
Earned Revenue[3]	(536,365)	-	(401,048)	(401,048)	Non-Federal Earned Revenue
					Intragovernmental Revenue
	-	-	(820)	(820)	Buy/Sell Revenue
	-	-	(2)	(2)	Borrowing and Other Interest Revenue
	-	-	*(822)*	*(822)*	***Total Intragovernmental Earned Revenue***
Total Earned Revenue	***(536,365)***	-	***(401,870)***	***(401,870)***	***Total Reclassified Earned Revenue***
Gain/Loss-Pension/ORB/OPEB Assumptions					Gain/Loss on Changes in Actuarial
Net Cost of Operations	**$ 11,142,853**	**$ 10,192,060**	**$ 1,085,288**	**$ 11,277,348**	**Net Cost of Operations**
Exchange Statement of Custodial Activity					
Refunds and Other Payments					
Auctions Salaries & Expenses	**-**	**-**	**(134,495)**	(134,495)	Buy/Sell Revenue (Intradepartmental Eliminations for Auctions Salaries & Expenses)[3]
Net Cost of Operations	**$ 11,142,853**	**$ 10,192,060**	**$ 950,793**	**$ 11,142,853**	**Net Cost of Operations**

Note 19 – Reclassification of Financial Statement Line Items for Financial Report Compilation Process (continued)

Reclassification of Statement of Changes in Net Position to Line Items Used for Government-wide Statement of Operations and Changes in Net Position for the Years September 30, 2022 and September 30, 2021

FY 2022 SCNP		**Line Items Used to Prepare FY 2022 SCNP**			
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**All Other than Dedicated Collections (with Eliminations)**	**Total**	**Reclassified Financial Statement Line**
UNEXPENDED APPRORPATIONS					
Unexpended Appropriations, Beginning Balance	$ 12,547,709	$ 7,767,492	$ 11,957,756	$ 19,725,248	Net Position, Beginning of Period as adjusted
Appropriations Received, General Funds	14,200,000	-	14,200,000	14,200,000	Appropriations Received as Adjusted
Appropriations Used	(6,461,696)	(59,111)	(6,402,585)	(6,461,696)	Appropriations Used
Total Unexpended Appropriations	**$20,286,013**	**$ 7,708,381**	**$ 19,755,171**	**$27,463,552**	
CUMULATIVE RESULTS OF OPERATIONS					
Cumulative Results, Beginning Balance	$ 7,177,538				
Appropriations Used	6,461,696	59,111	6,402,585	6,461,696	Appropriations Used
Non-Exchange Revenue	8,775,722				***Non-Federal Non-Exchange Revenue***
SCA: Sources of Cash Collections: Fines and Penalties	48,568	8,775,722	48,255	8,823,977	Other Taxes and Receipts
SCA: Sources of Cash Collections: Spectrum Auctions	22,514,626	-	22,514,626	22,514,626	Miscellaneous Earned Revenues
SCA: Accrual Adjustments: Fines and Penalties	(313)				
		8,775,722	22,562,881	31,338,603	***Total Non-Federal Non-Exchange Revenues***
					Intragovernmental Non-Exchange Revenue
		-	(22,416,732)	(22,416,732)	Collections Transferred to a TAS Other Than the General Fund of the U.S. Government (RC 15)
Non-Exchange Revenue - Intragovernmental	390	-	390	390	Collections transferred into a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 15)
		-	(22,416,342)	(22,416,342)	***Total Intragovernmental Non-Exchange Revenue***
Total Non-Exchange Revenues	31,338,993	8,775,722	146,539	8,922,261	*Total Reclassified Non-Exchange Revenue*
Imputed Financing	12,789	-	12,789	12,789	Imputed Financing Sources (Federal)
Other	(31,384)				
SCA: Disposition of Collections: (Increase)/Decrease in Amounts Yet to be Transferred (+/-)	81,120,016	-	81,120,009	81,120,009	Accrual for non-entity amounts to be collected and transferred to the General Fund of the U.S. Government (RC 48)
SCA: Disposition of Collections: Transferred to Others:					
U.S. Treasury	(81,137,544)	-	(81,168,922)	(81,168,922)	Non-Entity Collections Transferred to the General Fund
Spectrum Relocation Fund (OMB)	(22,418,284)				
Public Safety Trust Fund (NTIA)	1,552				
		-	(36,124)	(36,124)	*Total Intragovernmental Other*
Total Other	(22,452,855)	-	(36,124)	(36,124)	*Total Reclassified Other*
SCA: Disposition of Collections: Refunds and Other Payments Auctions, Salaries & Expenses (FCC)[3]	(128,621)				
Total Financing Sources	15,219,213				
Net Cost of Operations	15,492,591	9,141,222	6,479,990	15,621,212	**Net Cost of Operations**
Ending Balance – Cumulative Results of Operations	6,904,160				
Total Net Position	$ 27,190,173	$ 7,401,992	$ 19,788,181	$ 27,190,173	**Net Position - Ending Balance**

Note 19 – Reclassification of Financial Statement Line Items for Financial Report Compilation Process (continued)

AFR Line	2021 FCC SCNP	Dedicated Collections Combined	All Other Amounts (with Eliminations)	2021 Reclassified SCNP Total	Reclassified Line
UNEXPENDED APPRORPATIONS					
Unexpended Appropriations, Beginning Balance	$ 1,008,586	$ 7,109,629	$ 342,692	$ 7,452,321	Net Position, Beginning of Period
Appropriations Received, General Funds	12,586,950	-	12,586,950	12,586,950	Appropriations Received as Adjusted
Appropriations Used	(1,047,827)	(38,828)	(1,008,999)	(1,047,827)	Appropriations Used
Total Unexpended Appropriations	**$12,547,709**	**$ 7,070,801**	**$ 11,920,643**	**$18,991,444**	
CUMULATIVE RESULTS OF OPERATIONS					
Cumulative Results, Beginning Balance	$ 6,443,735				
Appropriations Used	1,047,827	38,828	1,008,999	1,047,827	Appropriations Expended
Non-Exchange Revenue	10,849,973				*Non-Federal Non-Exchange Revenue*
SCA: Sources of Cash Collections: Fines and	207,301	10,849,923	212,165	11,062,088	Other Taxes and Receipts
SCA: Sources of Cash Collections: Spectrum	85,564,050	-	85,564,050	85,564,050	Miscellaneous Earned Revenues
SCA: Accrual Adjustments: Fines and Penalties	8,718	-	-	-	
		10,849,923	85,776,215	96,626,138	*Total Non-Federal Non-Exchange Revenues*
					Intragovernmental Non-Exchange Revenue
		-	(8,942,172)	(8,942,172)	Collections Transferred to a TAS Other Than the General Fund of the U.S. Government
		-	3,904	3,904	Collections transferred into a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 15)
		-	(8,938,268)	(8,938,268)	*Total Intragovernmental Non-Exchange Revenue*
Total Non-Exchange Revenues	96,630,042	10,849,923	76,837,947	87,687,870	*Total Reclassified Non-Exchange Revenue*
Imputed Financing	13,240	-	13,240	13,240	Imputed Financing Sources (Federal)
Other	(34,384)				
SCA: Disposition of Collections: (Increase)/Decrease in Amounts Yet to be	(76,496,101)		(76,496,101)	(76,496,101)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
SCA: Disposition of Collections: Transferred to Others: U.S. Treasury	(207,301)	-	(241,686)	(241,686)	Non-Entity Collections Transferred to the General Fund
Spectrum Relocation Fund (OMB)	(4,466,079)				
Public Safety Trust Fund (NTIA)	(4,476,093)				
		-	(76,724,547)	(76,724,547)	*Total Intragovernmental Other*
Total Other	(85,666,718)	-	(76,724,547)	(76,724,547)	*Total Reclassified Other*
SCA: Disposition of Collections: Refunds and Other Payments Auctions, Salaries & Expenses (FCC)[3]	(134,495)				
Net Cost of Operations	11,142,853	10,192,060	1,085,287	11,277,347	**Net Cost of Operations**
Ending Balance – Cumulative Results of Operations	7,177,538	-	-	-	
Total Net Position	$ 19,725,247	$ 7,767,492	$ 11,957,755	$ 19,725,247	**Net Position - Ending Balance**

Required Supplementary Information

A. Schedule of Budgetary Resources by Major Account

For the Years Ended September 30, 2022 and September 30, 2021
(Dollars in thousands)

OMB Circular No. A-136, *Financial Reporting Requirements—Revised*, requires additional disclosure of an entity's budgetary information by major budgetary accounts if the information was aggregated for presentation purposes on the Statement of Budgetary Resources. Major budgetary accounts of the Commission include Salaries and Expenses (S&E), Auctions, COVID-19 Telehealth, EBCF-EBBP, ACF, SCRP, ECF, TVBRF, USF and TRS. S&E represents general salaries and expenses of the Commission. Auctions include salaries and expenses of the spectrum auctions program. The COVID-19 Telehealth Program represents support for eligible health care providers responding to the pandemic by providing funding for telecommunications services, information services, and connected devices necessary to provide critical connected care services whether for treatment of the COVID-19 disease or other health conditions during the COVID-19 pandemic. The EBCF-EBBP under which eligible low-income households may receive a discount off the cost of broadband service and certain connected devices during an emergency period relating to the COVID-19 pandemic. The ACF consists of the ACP which eligible low-income households may receive a discount off the cost of broadband service and certain connected devices; broadband mapping and a grant program. The SCRP represents the program under which reimbursements for the removal, replacement, and disposal of covered communications equipment or services that pose an unacceptable risk to the national security of the United States or the security and safety of U.S. persons from the networks of providers of advanced communications service. The ECF assists schools and libraries by providing connected devices such as laptops, tablets, or similar end-user devices, and connectivity, to students, school staff, and library patrons during the COVID-19 Pandemic. The TVBRF represents reimbursements of relocation costs for eligible entities and for consumer education relating to the reorganization of broadcast television. USF includes the High Cost, Lifeline, Rural Health Care, E-Rate and the CCPP programs. The TRS Fund represents a program established to support relay services necessary for telecommunications access by speech or hearing-impaired individuals. Non-major budgetary accounts are aggregated under the Other column.

Reflected in the following chart are the major budgetary accounts of the Commission that are aggregated and presented in the Combined Statement of Budgetary Resources.

Required Supplementary Information (continued)

A. Schedule of Budgetary Resources by Major Account (continued)

FY 2022	S&E	Auctions	COVID-19 Telehealth	ACF (ACP)	EBCF (EBBP)	SCRP	ECF	TVBRF	USF	TRS	Other	Total
Budgetary Resources:												
Unobligated balance from prior year budget authority, net	$ 126,999	$ 31,708	$ 173,797	$ -	$ 2,293,720	$ 1,893,182	$ 6,000,448	$ 853,967	$ (8,159,749)	$ 492,326	$ 2,845	$ 3,709,243
Appropriations (discretionary and mandatory)	-	-	-	14,200,000	-	-	-	-	7,696,154	1,266,669	-	23,162,823
Spending authority from offsetting collections (discretionary and mandatory)	382,666	128,621	-	-	-	-	-	-	-	-	7	511,294
Total budgetary resources	$ 509,665	$ 160,329	$ 173,797	$ 14,200,000	$ 2,293,720	$ 1,893,182	$ 6,000,448	$ 853,967	$ (463,595)	$ 1,758,995	$ 2,852	$ 27,383,360
Status of Budgetary Resources:												
New obligations and upward adjustments (total)	$ 394,949	$ 117,996	$ 173,499	$ 2,049,376	$ 2,248,470	$ 1,838,991	$ 4,598,872	$ 167,226	$ 11,974,633	$ 1,252,399	$ -	$ 24,816,411
Unobligated balance, end of year:												
Apportioned, unexpired accounts	114,134	42,333	298	12,150,624	45,250	54,191	1,401,576	686,741	-	506,596	2,816	15,004,559
Exempt from apportionment, unexpired accounts	-	-	-	-	-	-	-	-	(12,438,228)	-	-	(12,438,228)
Unapportioned, unexpired accounts	7	-	-	-	-	-	-	-	-	-	36	43
Unexpired unobligated balance, end of year	114,141	42,333	298	12,150,624	45,250	54,191	1,401,576	686,741	(12,438,228)	506,596	2,852	2,566,374
Expired unobligated balance, end of year	575	-	-	-	-	-	-	-	-	-	-	575
Unobligated balance, end of year (total)	114,716	42,333	298	12,150,624	45,250	54,191	1,401,576	686,741	(12,438,228)	506,596	2,852	2,566,949
Total status of budgetary resources	$ 509,665	$ 160,329	$ 173,797	$ 14,200,000	$ 2,293,720	$ 1,893,182	$ 6,000,448	$ 853,967	$ (463,595)	$ 1,758,995	$ 2,852	$ 27,383,360
Outlays, Net:												
Outlays, net (discretionary and mandatory)	$ (16,868)	$ (4,395)	$ 106,528	$ 1,496,528	$ 2,581,460	$ 7,058	$ 1,896,104	$ 126,554	$ 7,820,566	$ 1,222,095	$ (7)	$ 15,235,623
Distributed offsetting receipts (-)	(40,251)	-	-	-	-	-	-	-	-	-	-	(40,251)
Agency outlays, net (discretionary and mandatory)	$ (57,119)	$ (4,395)	$ 106,528	$ 1,496,528	$ 2,581,460	$ 7,058	$ 1,896,104	$ 126,554	$ 7,820,566	$ 1,222,095	$ (7)	$ 15,195,372

Required Supplementary Information (continued)

A. Schedule of Budgetary Resources by Major Account (continued)

FY 2021	S&E	Auctions	COVID-19 Telehealth	EBCF (EBBP)	SCRP	ECF	TVBRF	USF	TRS	Other	Total
Budgetary Resources:											
Unobligated balance from prior year budget authority, net	$ 39,074	$ 50,034	$ 6,103	$ -	$ -	$ -	$ 798,097	$ (9,267,724)	$ 348,245	$ 2,841	$ (8,023,330)
Appropriations (discretionary and mandatory)	65,000	-	249,950	3,200,000	1,900,000	7,172,000	-	9,189,627	1,562,174	-	23,338,751
Spending authority from offsetting collections (discretionary and mandatory)	374,988	134,495	-	-	-	-	-	-	-	4	509,487
Total budgetary resources	$ 479,062	$ 184,529	$ 256,053	$ 3,200,000	$ 1,900,000	$ 7,172,000	$ 798,097	$ (78,097)	$ 1,910,419	$ 2,845	$ 15,824,908
Adjustment to unobligated balance brought forward, October 1											
Status of Budgetary Resources:											
New obligations and upward adjustments (total)	$ 356,311	$ 155,741	$ 89,894	$ 907,557	$ 6,818	$ 1,311,091	$ 143,307	$ 8,792,251	$ 1,446,854	$ -	$ 13,209,824
Unobligated balance, end of year:											
Apportioned, unexpired accounts	122,509	28,788	166,159	2,292,443	1,893,182	5,860,909	654,790	-	463,565	2,816	11,485,161
Exempt from apportionment, unexpired accounts	-	-	-	-	-	-	-	(8,870,348)	-	-	(8,870,348)
Unapportioned, unexpired accounts	5	-	-	-	-	-	-	-	-	29	34
Unexpired unobligated balance, end of year	122,514	28,788	166,159	2,292,443	1,893,182	5,860,909	654,790	(8,870,348)	463,565	2,845	2,614,847
Expired unobligated balance, end of year	237	-	-	-	-	-	-	-	-	-	237
Unobligated balance, end of year (total)	122,751	28,788	166,159	2,292,443	1,893,182	5,860,909	654,790	(8,870,348)	463,565	2,845	2,615,084
Total status of budgetary resources	$ 479,062	$ 184,529	$ 256,053	$ 3,200,000	$ 1,900,000	$ 7,172,000	$ 798,097	$ (78,097)	$ 1,910,419	$ 2,845	$ 15,824,908
Outlays, Net:											
Outlays, net (discretionary and mandatory)	$ (26,465)	$ 797	$ 149,057	$ 572,662	$ 2,370	$ 4,212	$ 308,951	$ 8,696,537	$ 1,444,397	$ (4)	$ 11,152,514
Distributed offsetting receipts (-)	(34,679)	-	-	-	-	-	-	-	-	-	(34,679)
Agency outlays, net (discretionary and mandatory)	$ (61,144)	$ 797	$ 149,057	$ 572,662	$ 2,370	$ 4,212	$ 308,951	$ 8,696,537	$ 1,444,397	$ (4)	$ 11,117,835

Required Supplementary Information (continued)

B. Land

As of September 30, 2022, the FCC owns fourteen real property sites totaling 2,104 acres of operational land. Operational land is land used for general or administrative purposes. The land is primarily used in support of the FCC's Public Safety and Homeland Security mission of developing and implementing policies and programs to strengthen public safety communications and interoperability, homeland security, national security, emergency management and preparedness, disaster management, and network reliability and resiliency. Specifically, the land is used for public safety and homeland security monitoring activities. In addition to the monitoring activities, two of the sites have field offices and/or a lab. Presently, none of the acreage is available for disposal or exchange.

Estimated Acreage by Predominant Use	
	Operational
Beginning Acreage	2,104
Additions/(Subtractions)	-
Ending Acreage	2,104

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III. OTHER INFORMATION (UNAUDITED)

Summary of Financial Statement Audit

Financial Statement Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**

See accompanying auditor's report.

Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**

Conformance with financial management system requirements (FMFIA § 4)						
Statement of Assurance	Federal Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Non-Conformances	**0**	**0**	**0**	**0**	**0**	**0**

Payment Integrity

The Federal Communications Commission (FCC or Commission) incorporated improper payment analysis and testing into its processes in Fiscal Year (FY) 2022 in compliance with Federal statutes and guidance detailed in the Office of Management and Budget (OMB) Circular A-123, Appendix C, Requirements for Payment Integrity Improvement (Appendix C). Appendix C defines "significant improper payments" as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5% of program outlays and $10 million of all program or activity payments made during the fiscal year reported or (2) $100 million (regardless of the improper payment percentage of total program outlays).

The following link contains additional information on improper payments reported across the Federal government, including information reported by the FCC in prior fiscal years: https://paymentaccuracy.gov/.

The Commission has eighteen components with funding disbursements that are under the direction of the Commission and its Administrators. The Commission categorizes the components as listed below.

- Universal Service Fund High Cost Program (USF-HC)
- Universal Service Fund Schools and Libraries Program (USF-S&L) or (E-Rate)
- Universal Service Fund Lifeline Program (USF-Lifeline) or (USF-LL)
- Universal Service Fund Rural Health Care Program (USF-RHC)
- Universal Service Fund Administrative Costs (USF-Admin)
- Connected Care Pilot Program
- Interstate Telecommunications Relay Services Fund (TRS)
- North American Numbering Plan (NANP)
- FCC Operating Expenses (FCC)
- TV Broadcaster Relocation Fund (TVBRF)
- Coronavirus Disease 2019 (COVID-19) Telehealth Program (CV19)
- Emergency Broadband Benefit Program (EBBP)
- Affordable Connectivity Program (ACP)
- Broadband Deployment Locations Map
- Broadband Mapping
- Emergency Connectivity Fund (ECF)
- Secured & Trusted Communications Network Reimbursement Program (STCNRP)
- Affordable Connectivity Program Outreach Grants

I. Actions Taken to Address Auditor Recovery Recommendations

USF-LL

The following are brief descriptions of the FCC and Universal Service Administrative Company's (USAC) key efforts to prevent and reduce improper payments in the USF Lifeline program:

Preventing Ineligible Subscribers: The FCC and USAC fully launched the National Verifier in all states and territories by the end of 2020. The National Verifier increased program integrity by applying a consistent eligibility standard for Lifeline program participants. California, Texas, and Oregon continue to manage their own eligibility process for most Lifeline participants living in those states, in which eligibility determinations are processed by a state agency or its administrator, and USAC monitors the states' eligibility determination processes to ensure compliance with the Commission's rules. The National Verifier significantly reduces improper payments related to prior program integrity issues, such as ineligible subscribers, deceased subscribers, duplicate subscribers, and oversubscribed addresses. The National Verifier utilizes a combination of automated and manual processes to verify eligibility and confirm whether a consumer is qualified for the Lifeline program. To confirm participation in a qualifying program, the National Verifier connects to multiple eligibility databases, including connections with the U.S. Department of Housing and Urban Development database to verify federal public housing assistance, and with the Centers for Medicare and Medicaid Services (CMS) database to verify Medicaid participation.

The National Verifier also connects to state Supplemental Nutrition Assistance Program, Medicaid, Supplemental Security Income, and/or income databases. The National Verifier benefits from 25 such connections in different states and territories. With its existing connections, the National Verifier is automatically verifying the eligibility of an average of 62% of consumers seeking to enroll in the Lifeline program. To further refine the verification process, USAC continues to work with states and territories to implement additional automated connections to eligibility databases. Where a consumer's eligibility cannot be confirmed automatically, USAC manually reviews appropriate documentation to confirm that a consumer is eligible to participate in the Lifeline program and is not receiving duplicative support.

USAC has also updated its programmatic review and audit procedures to properly address risks in the program, which are changing as a result of the National Verifier. USAC's Office of General Counsel has also stood up the Fraud Risk Group, which will continue to refer potential cases of waste, fraud, and abuse to OIG and conduct internal investigations to better provide OIG with critical information at the outset.

Sales Agent Compliance: In October 2019, the Commission adopted a rule prohibiting Lifeline service providers from paying commissions to enrollment representatives based on the number of applications or enrollments processed by those representatives. In addition, the Commission and USAC established the Representative Accountability Database to identify and register sales agents who assist consumers in applying for Lifeline. The Representative Accountability Database, which became mandatory for all Lifeline service providers on May 25, 2020, issues unique identifiers to enrollment representatives that allow USAC to monitor those representatives' activities in USAC's Lifeline systems, such as the National Lifeline Accountability Database (NLAD) and the National Verifier. As part of this monitoring effort, USAC is able to better detect suspicious activity in its systems and restrict the access of enrollment representatives engaged in potentially fraudulent activity (e.g., enrolling fictitious subscribers). These restrictions may include a permanent lockout of an enrollment representative from USAC's systems, and referral of individual enrollment representatives to the FCC's enforcement authorities where appropriate.

Prevention of Duplicate Support: With the launch of the National Verifier, USAC has enhanced the NLAD to ensure that no enrollment is permitted until the NLAD confirms that the National Verifier has found the consumer to be eligible and that they are not receiving duplicative benefits. Further, the National Verifier itself will not deem a consumer eligible until it confirms that the consumer is not already enrolled in a qualifying eligibility program or otherwise qualifies through income qualification verification. These cross-checks should prevent service providers from attempting to enroll a duplicate or ineligible subscriber. USAC coordinates with the state commissions in California, Texas and Oregon to identify and address any instances of duplicate enrollments and that eligibility is confirmed prior to enrollment.

Preventing Support for Deceased Subscribers: USAC automatically prevents the enrollment of a deceased subscriber through its connection to a major third-party identity verification provider (TPIV), which leverages the Social Security Administration's Death Master File (SSA DMF), among other source data. Beginning in June 2021, USAC checks to see whether any subscribers appear to have died after enrollment through verification with the SSA DMF process and TPIV check, and does not pay Lifeline support for any such subscribers who do not respond to requests to confirm eligibility.

Inadequate Certifications: The National Verifier collects and retains subscriber certification forms required for subscribers' enrollments and annual recertifications. USAC coordinates with the state commissions in California, Texas and Oregon to address the root cause of inadequate certification forms approved in those states.

Non-Usage Compliance: USAC implements programmatic reviews to determine whether ETCs are in compliance with non-usage rules that prohibit impacted ETCs from claiming subscribers who did not use their Lifeline service in accordance with the Commission's rules.

The following efforts are not related to a specific finding. They were developed to address all non-compliance issues:

Program Integrity Reviews: USAC's Lifeline Program Integrity team conducts detailed analysis of Lifeline subscribership data to identify potential instances of non-compliance. Based on the analysis, the Lifeline Program Integrity team perform targeted program integrity reviews of high-risk areas. The results of these reviews are used to address compliance gaps and enhance preventative controls with the goal of reducing improper payments. Some of the revised selection criteria include: 1) charter and private schools, that are not a part of a public school district, with over $500k requested in funding dollars; 2) applicants with a significant increase (over 1000%) in requests for funding dollars and 3) top four service providers selected with over $500K in funding dollars, with an increase of 360% increase from fund year to fund year.

Improper Payment Analysis: USAC management performs a deep-dive analysis of its improper payments to more thoroughly understand their root causes and to identify corrective actions that will address the root causes. Through this analysis, USAC management is institutionalizing corrective actions as part of its program integrity efforts that will reduce future instances of improper payments.

Improper Payment Testing Procedures, including Non-Usage Testing: The FCC and USAC will work together to determine what procedures can be added or enhanced to better ensure that improper payment testing procedures adequately assess the risk associated with the USF Lifeline program. To assist with this initiative, USAC has engaged external auditors who are testing the compliance of multiple service providers with the Lifeline program's non-usage rules. The methodology used in such targeted audits will be used by USAC's audit department to test other service providers in the future.

USF-S&L

The following are brief descriptions of the FCC and USAC's key efforts to prevent and reduce improper payments in the USF Schools and Libraries Program:

Competitive Bidding and Document Retention: In 2Q2020, USAC received initial approval from the FCC to move forward with documenting requirements for a proposed Bidder's Portal as part of the preparation for and ongoing work related to the Commission's December 2021 Notice of Proposed Rulemaking seeking comment on the proposed bidder's portal. USAC developed the preliminary business requirements to support document retention and centralization of contract data in support of issuing a request for proposal (RFP). Work on the bidding portal is pending the outcome of the proceeding, which will inform the timing and scope of a USF S&L Competitive Bidding Portal, among other things, if approved.

Invoicing Error: The Schools and Libraries Program team has taken a strategic, multi-pronged approach to reducing the risk around invoicing errors through realizing enhancements applying risk-based strategies to procedure reviews and process improvements. USAC's Schools and Libraries Invoicing team leveraged open data sets and coding capabilities to improve the efficiency of eligibility validations. In addition, the Invoicing team implemented a new process, "Pre-Payment Review," which reviews the payment data on a sample basis prior to the payment file distribution to identify and proactively prevent any potential improper payments. Lastly, the School and Libraries Program team has improved customer awareness and knowledge through targeted internal and external training, emphasizing guidance on common audit findings, and high-risk areas. Training includes many case studies educating applicants on how to avoid frequent mistakes, which reduces the need for modification and rejection of an application or funding request.

Lack of or Incomplete Documentation (Service Provider Lowest Corresponding Price): The Schools and Libraries Program team is taking steps to remind the Service Providers about their obligations to comply with Lowest Corresponding Price (LCP) requirements on an annual basis. The Schools and Libraries Program team will continue to enhance its existing LCP service provider training materials to include, but not be limited, to the following:

- Need for document retention including when acquisitions and mergers occur.
- Certification of LCP requirements.

The following efforts are not related to a specific finding. They were developed to address all non-compliance issues:

Program Integrity: The Schools and Libraries Program team employs a heightened scrutiny review (HSR) to identify and perform additional review over applications that may be at risk for areas of non-compliance. The Schools and Libraries Program team has made enhancements to its heightened scrutiny review procedures to further reduce the risk of improper payments. These enhancements were implemented with Fund Year 2020 applications. Annually, the HSR team leverages data analytics on the current population and considers revisions to the selection criteria for the next year based, in part, on audit findings and program risk factors.

Outreach: USAC enhanced its outreach approach, customizing specific directions to program participants based on their Payment Quality Assurance (PQA) exceptions. Outreach includes updates to the website training materials, conducting webinar(s) focused on and communicating best practices based on the observations made during the prior year's PQA reviews. USAC provides annual training and implemented an Online Training Library to provide S&L program participants with tools that they can access at their convenience.

Improper Payment Analysis: USAC management is performing a deep-dive analysis of its improper payments to more thoroughly understand their root causes and to identify corrective actions that will address the root causes. Through this analysis, USAC management is institutionalizing corrective actions as part of its program integrity efforts that will reduce future instances of improper payments.

Schedule of Civil Monetary Penalties

On November 2, 2015, the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 ("the 2015 Act"), which was included as Section 701 of the Bipartisan Budget Act of 2015, was signed into law. The 2015 Act amended the Federal Civil Penalties Inflation Adjustment Act of 1990 to improve the effectiveness of civil monetary penalties and to maintain their deterrent effect.

The 2015 Act required agencies use an interim final rulemaking (IFR) to adjust the level of civil monetary penalties in 2016 with an initial "catch-up" adjustment. The 2015 Act also requires agencies to continue to make annual inflation adjustments in future years and to report on these adjustments annually.

On December 15, 2021, OMB provided its annual inflation adjustment update to agencies through OMB Memorandum M-22-07, *Implementation of Penalty Inflation Adjustments for 2022*. On December 22, 2021, the FCC's Enforcement Bureau adopted and released an order, DA-21-1634A1, which adjusted the Commission's forfeiture penalties for inflation for 2022.

The following table shows various civil monetary penalties that may be used by the Commission in carrying out its mission as well as additional information about the FCC's statutory authority for these penalties and the location of the FCC's most recent action to adjust these penalties for inflation.

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest year of adjustment (via statute or regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
Communications Act of 1934, as amended	Willful or Repeated Violation	1954 - 2010	2022	Up to $4,111,796	Enforcement Bureau (EB)	Federal Register 87 No. 3 (January 5, 2022): 87 FR 396. https://www.govinfo.gov/app/details/FR-2022-01-05/2021-28310 https://www.fcc.gov/document/2022-annual-adjustment-civil-monetary-penalties-reflect-inflation
47 U.S.C. 202 (c)	Discrimination	1989	2022	$13,213 $661/day	EB	Same as above
47 U.S.C. 203 (e)	Schedules of Charges	1989	2022	$13,213 $661/day	EB	Same as above
47 U.S.C. 205 (b)	Commission Charges	1989	2022	$26,425	EB	Same as above
47 U.S.C. 214 (d)	Extension of lines	1989	2022	$2,642	EB	Same as above
47 U.S.C. 219 (b)	Annual Report	1989	2022	$2,642	EB	Same as above
47 U.S.C. 220 (d)	Failure to maintain records	1989	2022	$13,213	EB	Same as above
47 U.S.C. 223 (b)	Obscene/ harassing telephone calls	1983	2022	$136,924	EB	Same as above
47 U.S.C. 227 (e)	Telephone equipment restrictions	2010	2022	$12,646/violation $37,937/day for each day of continuing violation up to $1,264,622 for any single act or failure to act	EB	Same as above
47 U.S.C. 362 (a)	Radio on board ships – Forfeitures	1989	2022	$11,011	EB	Same as above
47 U.S.C. 362 (b)	Radio on board ships - Forfeitures	1989	2022	$2.203	EB	Same as above

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest year of adjustment (via statute or regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
47 U.S.C. 386 (a)	Radio on board ships - Forfeitures	1989	2022	$11,011	EB	Same as above
47 U.S.C. 386 (b)	Radio on board ships - Forfeitures	1989	2022	$2,203	EB	Same as above
47 U.S.C. 503 (b)(2)(A)	Penalty provisions	1989	2022	$55,052/violation or each day of a continuing violation up to $550,531 for any single act or failure to act	EB	Same as above
47 U.S.C. 503 (b)(2)(B)	Penalty provisions	1989	2022	$220,213/violation or each day of a continuing violation up to $2,202,123 for any single act or failure to act	EB	Same as above
47 U.S.C. 503 (b)(2)(C)	Penalty provisions	2006	2022	$445,445/violation or each day of a continuing violation up to $4,111,796 for any single act or failure to act	EB	Same as above
47 U.S.C. 503(b)(2)(D)	Penalty provisions	1989	2022	$22,021/violation or each day of a continuing violation up to $165,159 for any single act or failure to act	EB	Same as above
47 U.S.C. 503(b)(2)(F)	Penalty provisions	2010	2022	$126,463/violation or each day of a continuing violation up to $1,264,622 for any single act or failure to act	EB	Same as above
47 U.S.C. 507 (a)	Payment disclosure	1954	2022	$2,181	EB	Same as above
47 U.S.C. 507 (b)	Payment disclosure	1954	2022	$320	EB	Same as above
47 U.S.C. 511	Penalty provisions	2020	2022	$107,478/violation or each day of a continuing violation up to $2,149,551 for any single act or failure to act	EB	Same as above
47 U.S.C. 554(f)	Equal employment opportunity	1992	2022	$976	EB	Same as above

Office of Inspector General’s Management and Performance Challenges

UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: October 14, 2022

TO: Chairwoman Jessica Rosenworcel
Commissioner Brendan Carr
Commissioner Geoffrey Starks
Commissioner Nathan Simington

FROM: Inspector General David Hunt for [illegible]

SUBJECT: Management and Performance Challenges

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) is submitting the annual statement summarizing its assessment of the most serious management and performance challenges facing the Federal Communications Commission (FCC) in Fiscal Year (FY) 2022 and beyond. During its audits and investigations, OIG has recommended actions that best address these challenges. Additional information on OIG audits and investigations can be found in our most recent Semiannual Reports to Congress.

Information Security

In alignment with FCC's strategic objective to effectively modernize the agency's information technology, the FCC has implemented significant information technology (IT) initiatives to enhance services to its stakeholders. The onset of the COVID-19 pandemic in 2020 brought challenges that the agency had to address with accelerated timelines. Even so, FCC is moving forward to implement these initiatives, keeping IT security as an ‘operational enabler’ with high priority.

The 2021 Federal Information Security Management Act (FISMA) Evaluation resulted in the FCC’s information security program being assessed as effective and in compliance with FISMA legislation, Office of Management and Budget (OMB) memoranda, and other applicable guidance for the first time. However, based on the FY 2022 FISMA evaluation results, the agency’s information security program is no longer effective and in compliance with the FISMA legislation and OMB guidance. One of the most significant areas impacting FISMA compliance is the continued significant deficiency in the IT security Identity and Access Management domain. Most importantly, longstanding issues with FCC’s implementation of HSPD-12 PIV (Homeland Security Presidential Directive-12 Personal Identity Verification)[1] card for logical access of all agency employees remain unresolved. The HSPD-12 PIV card deficiency and related recommendation has been repeated every

[1] HSPD-12 PIV cards, which may be generically referred to as PIV cards, refer to the common identification card required by Homeland Security Presidential Directive 12, Policy for a Common Identification Standard for Federal Employees and Contractors.

year since FY 2016. Management repeatedly has cited resource constraints as the reason why the recommendation was not implemented. There are two other areas with significant issues that require a focused effort - Risk Management, and Information Security Continuous Monitoring. We encourage management to prioritize recommendations in these areas, along with HSPD-12 recommendations, to limit the risk of unauthorized access and to ensure consistent governance and compliance. As we stated in the previous year, FCC must sustain efforts to keep the program in compliance, this will continue to be a significant challenge moving forward into FY 2023.

Universal Service Fund Programs

The Telecommunications Act of 1996 created the framework for the Universal Service Fund (USF), consisting of support mechanisms for: 1) providing financial support to eligible telecommunications carriers that serve high-cost areas; 2) assisting schools and libraries to obtain telecommunications and internet services; 3) assisting low-income consumers to obtain affordable telephone service; and 4) assisting rural health care providers to gain access to telecommunications and internet services. Under the direction of the Commission, the Fund is administered by the Universal Service Administrative Company (USAC).

On August 15, 2022, the Commission issued its Report on Future of the Universal Service Fund (Report) as required by Section 60104(c) of the Infrastructure Investment and Jobs Act (Infrastructure Act), which outlines the Commission's options for improving its effectiveness in achieving the universal service goals for broadband.[2] While the report contains recommendations for modifications to the existing universal service programs in light of the Infrastructure Act, it affirmed that its universal service goals for broadband cannot be achieved without the support of existing USF programs.

Achieving the Commission's goals and objectives (*Strategic Goal 1: Pursue a "100 Percent" Broadband Policy* and *Strategic Objective 1.1: Pursue policies to help bring affordable, reliable, high-speed broadband to 100 percent of the population, including rural areas, and Tribal lands as well as for low-income Americans and students*) requires a significant investment of Commission resources, as well as effective USAC administration of USF programs. Establishing direction and policy, and ensuring that all USF program rules and regulations foster effective and efficient programs, are significant management challenges.

Universal Service Fund Contributions Reform

Eligible telecommunications carrier (ETC's) contributed approximately $9.3 billion to the USF fund in 2021. However, the current USF contributions system is built on regulatory constructs from decades ago.[3] In a recent report adopted by the FCC on the future of the USF, Commissioner Brendan Carr noted that "…the FCC's funding mechanism…is stuck in a death spiral. The USF program is funded through a mechanism that made sense back in the dial up and screeching modem days of the 1990s—back when you were far more likely to have a long-distance calling card in your

[2] Report on the Future of the Universal Service Fund, WC Docket No. 21-476 (August 12, 2022).

[3] Testimony of Carol Mattey, Principal of Mattey Consulting LLC, before the Subcommittee on Communications, Technology, Innovation and the Internet, of the Committee on Commerce, Science and Transportation, U.S. Senate, on "The Impact of Broadband Investments in Rural America," March 12, 2019.

wallet than an email address in your name."[4] The aforementioned Future of the USF Report describes the multi-faceted arguments from the industry to update the funding mechanism for the FCC's USF programs. The proposals include expanding the contributions base to include revenues from Broadband Internet Access Service (BIAS) as well as to include edge providers (streaming video providers, digital advertising firms, and cloud service companies). Another consideration is to fund the USF by Congressional Appropriations. The report warns that the FCC's decision on this issue should ensure the sustainability of the fund and should not increase the financial burden of consumers.

Contribution reform is needed because, although the marketplace has shifted to new services and new technologies, businesses are not required to finance the USF based on revenues from these new sources. Only revenues from interstate and international telecommunications services and certain other telecommunications are subject to assessment. The telecommunications companies providing these services include wireline phone companies, wireless phone companies, paging service companies and certain voice over Internet Protocol (VoIP) providers. Total assessable telecommunications revenues, which make up the USF contributions base, have steadily declined from $66 billion in 2011 to $41.4 billion in 2020.[5] Additionally, the current form used to collect information from potential contributors uses obsolete terminology and categories.

The FCC has sought public comment on alternative contributions methodologies multiple times. For example, in an April 2012 Notice the FCC sought comment on modernizing the contributions methodology, to include an assessment of revenues from broadband networks.[6] Years later, in June 2020, the FCC sought comments to refresh the record in the 2012 Contributions Reform Further Notice of Proposed Rulemaking. The 2020 Notice pertains to whether the Commission should exercise its permissive authority under Section 254(d) of the Telecommunications Act of 1996[7] to include in the contribution base revenues derived from the provision of "one-way" VoIP services.[8] Despite the Commissions' efforts over the years to obtain and evaluate comments on this issue, an agreement has not yet been reached on the best way to increase contributions to the USF to ensure its sustainability. Per FCC officials, this issue will be addressed in accordance with the priorities on the

[4] Report on the Future of the Universal Fund, DA/FCC-22-67, issued August 15, 2022. See comments from Commissioner Brendan on page 1.

[5] Universal Monitoring Report; CC Docket No. 96-45; January 2022, For DATA Received Through September 2021, Prepared by Federal and State Staff for the Federal-State Joint Board on Universal Service; Table 1.5.

[6] Further Notice of Proposed Rulemaking, Universal Contribution Methodology—A National Broadband Plan for Our Future, FCC-12-46, April 2012.

[7] Title 47 CFR 254d-(d) Telecommunications carrier contribution. Every telecommunications carrier that provides interstate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and sufficient mechanisms established by the Commission to preserve and advance universal service. The Commission may exempt a carrier or class of carriers from this requirement if the carrier's telecommunications activities are limited to such an extent that the level of such carrier's contribution to the preservation and advancement of universal service would be de minimis. Any other provider of interstate telecommunications may be required to contribute to the preservation and advancement of universal service if the public interest so requires.

[8] FCC Public Notice; DA 20-614; Released June 11, 2020; Pleading Cycles Established; Comments Sought to Refresh the Record in the 2012 Contribution Methodology Reform Proceeding with Regard to One-Way VOIP Service Providers; WC Docket No. 06-122; GN Docket No. 09-51.

Commission's agenda. Notably, in its August 2022 FCC report to Congress, the Commission provided suggested USF contribution reform. Resolving these matters and reforming USF contributions remains a significant management challenge.

USF High Cost Program

The USF High Cost program historically has provided billions of dollars annually, with a goal of ensuring that robust, affordable voice and broadband service, both fixed and mobile, are available to Americans throughout the nation. High Cost program has been transitioning its support to multi-purpose networks capable of fixed and mobile broadband and voice services in rural, insular, and other high cost areas, and phasing out support for voice-only networks. During this transition, the HC program was modernized into the Connect American Fund (CAF), where funding is more transparent; easier to administer; and does not present the inherent risks and impediments to preventing fraud, waste and abuse in the program, compared to the historical model used to distribute funding to rate-of-return carriers, which remains problematic.

Under the comparatively simplified CAF distribution models, systematic monitoring and verification of the CAF programs have been necessary to ensure carriers have fulfilled their build-out obligations and service requirements to all required locations in their service areas, and provide service at speeds required under the Commission's rules. USAC developed an information system, the High Cost Universal Broadband (HUBB) portal, to assist USAC management in determining if carriers were meeting their obligation to provide high-speed internet to specific underserved locations, including meeting minimum performance standards and service speeds. Although the Commission must continue to ensure CAF orders are timely implemented and meet their purposes and goals, these will have to be reevaluated by the Commission given congressional funding of additional broadband programs. The CAF programs, as the Commission has recognized, will need to be modified to accommodate new broadband programs that Congress authorized during the pandemic.

USF Lifeline Program

The Lifeline Program is currently facing the following challenges:

- Program Integrity;
- Low participation rates;
- Intersecting benefits with the FCC's new Affordable Connectivity Program (ACP); and
- Halted plans to phase out subsidies for voice only services.

Program Integrity

The FCC and USAC must continue to devote significant resources to combat waste, fraud, and abuse in the Lifeline program. Significant reforms to the Lifeline program in 2012 and 2016, with implementation of reforms recommended by this Office, have significantly reduced fraud in the program. Nevertheless, OIG concerns related to eligible telecommunications carrier (ETC) monitoring and compliance with usage rules have proliferated over the last several years and continue. OIG maintains an active roster of investigations examining the conduct of multiple ETCs and their agents. The U.S. Department of Justice works with OIG to pursue culprits identified through its investigations pursuing criminal and civil sanctions against those already identified by OIG's investigations. The FCC must continue to ensure that adequate resources are dedicated to identifying new forms of fraud as the program evolves.

In response to the ongoing COVID-19 pandemic, starting in March 2020, the Wireline Competition Bureau (WCB) waived certain Lifeline program rules from April 2020 through June 30, 2022. The waived rules were related to recertification; reverification; general de-enrollment; subscriber usage; income documentation; documentation requirements for subscribers during several months of the pandemic, as well as guidance concerning USAC periodic reviews. The waivers arose from WCB's recognition that telemedicine, telework, and online learning are necessary social distancing measures and, therefore, access to affordable communications services for low-income consumers is even more important.

Nonetheless, many of the waived rules were originally implemented to prevent waste and abuse in the program. The Commission has now rescinded most of these waivers, except for those on Tribal lands concerning certification and reenrollment, until September 30, 2022. The FCC must work in the coming months, however, to ensure that ETCs are again abiding by the rules now in effect and that these waivers did not become vehicles for abuse of USF Funds.

Moreover, the FCC and USAC must continue to monitor National Verifier enrollment attempts to identify ETCs and their agents who may attempt to circumvent added program safeguards which have been implemented. Although USAC completed its implementation of the Representative Accountability Database (RAD), the FCC and USAC must ensure RAD fulfills its purpose by identifying and blocking agents who attempt fraudulent subscriber enrollments, and identifying attempts by agents previously blocked-out of RAD and preventing them from re-enrolling using other agent identities. Moreover, the FCC and USAC must ensure ETCs furnish agent identification information for all National Lifeline Accountability Database (NLAD) and National Verifier transactions. OIG finds that in many instances fraudulent enrollments are made by agents who fail to identify themselves in RAD when enrolling subscribers, and this requirement is not enforced by their employers.

Additionally, FCC and USAC must continue to monitor whether the National Verifier meets its intended goals to reduce the risk of enrollment of ineligible subscribers and improve the customer application and enrollment experience. GAO recently conducted an audit of the National Verifier and issued a report in January 2021.[9] The report recommends that the FCC develop and implement a plan to educate eligible consumers about the Lifeline Program and National Verifier, develop performance measures to track the Verifiers' progress in reaching its goals and ensure that the systems' online application is accurate, clear, easy to understand and includes an option to provide feedback. As of September 2022, the recommendations had not been closed.

Participation Rates

Low participation for the Lifeline Program is an issue and been pointed out in audits by GAO and assessments and evaluations by industry experts for many years. In 2021, $2.5 billion was budgeted

[9] GAO #21-235: The FCC Has Implemented the Lifeline National Verifier But Should Improve Consumer Awareness and Experience; released January 28, 2021.

to the Lifeline Program; however, only $724 million, or 29.5%, was disbursed. Currently, the participation rate is only approximately 17% of the eligible population.[10]

For example, a 2015 GAO report recommended that the FCC to conduct a program evaluation to determine the extent to which the Lifeline Program is efficiently and effectively reaching its goals of ensuring the availability of telecommunications services for low-income Americans while minimizing the contribution burden on consumers and business. The resulting 2021 Lifeline Program Evaluation Report, prepared by Grant Thornton,[11] echoed GAO's conclusions regarding the lack of specific performance measures for the program. Grant Thornton also reported that the FCC had not established performance measures or tasked USAC, the programs administrator, with increasing participation or collecting certain performance data. Therefore, USAC's strategies and plans may not address these activities.

Also, the forementioned GAO report on the National Verifier noted that consumers may lack an awareness of the Lifeline Program because FCC's consumer education planning efforts did not always align with key practices to develop consistent and clear messages and did not always include researching target audiences.

FCC and USAC must develop and implement a plan to address the low participation rate for the Lifeline Program.

Program Benefits Intersect with the Affordable Connectivity Program

In its 2016 Lifeline Order, the Commission made changes to the Lifeline Program to enable low-income consumers to obtain and use broadband. In response to the Infrastructure Act, the FCC launched the Affordable Connectivity Program on December 31, 2021, with final rules issued on January 21, 2022, with similar goals. The ACP is a long-term program designed to promote the availability of the broadband service for low-income consumers. While there are some distinct differences between the two programs, including eligibility criteria, device subsidy allowances, and service discount amounts, many commenters on the program rules suggested that the two programs should be merged or that the programs should cover distinctly different services. Currently, consumers can apply benefits from both programs to the same telecommunications service plan. The previously mentioned Future of the USF Report recommends that the device subsidy allowance be reconsidered. The report also recommends that the FCC conduct surveys to better understand household broadband needs, household awareness of the Lifeline Program, and their interaction with providers. The Commission must ensure that it continues to consider how best to structure, maximize and administer the benefits of the Lifeline Program and ACP.

Phase Down Voice-Only Service Subsidy

On July 1, 2022, the Bureau issued an Order extending, for an additional year, the waiver pausing the phase-down of support for voice-only services in the Lifeline Program.[12] Although the WCB's

[10] Data pulled from USAC's website on September 7, 2022, https://www.usac.org/lifeline/resources/program-data.

[11] Lifeline Program 2020 Program Evaluation, performed by Grant Thornton Public Sector LLC, final issued February 5, 2021.

[12] FCC Order, DA 22-706, Lifeline and Link Up Reform Modernization – Telecommunications Carriers Eligible for Universal Service Support, Connect America Fund.

Report on the State of the Lifeline Marketplace, indicates that only about 8% of Lifeline subscribers receive voice-only services,[13] some argue that this minority of consumers is still significant, as they rely on traditional phone service for reliable access to emergency services like 911, for work, to receive healthcare and customer support, and to connect with friends and family. Additionally, data is lacking on the options for affordable service that will be available to low-income consumers if voice-only support is eliminated. The FCC must ensure that it resolves this matter in a way that meets the needs of the low-income community.

USF - Schools and Libraries (E-rate) Program

Effective in 2015, the Commission's two E-rate Modernization Orders adopted three program goals: 1) ensure schools and libraries have access to affordable high-speed broadband internet services; 2) maximize the cost-effectiveness of spending for E-rate program supported purchases; and 3) ensure the application process is fast, simple, and efficient. The orders established a performance management system to help evaluate the effectiveness of the modernization orders and identify program improvements. In March 2022, the E-Rate program funding cap for funding year 2022 was set at $4.456 billion. The new cap represents a 4.2% inflation-adjusted increase in the $4.276 billion cap from funding year 2021.

The COVID-19 pandemic directly affected school systems across the entire country and, thereby, stressed the delivery of E-rate program services. Instead of students attending school in person and accessing the internet within schools and libraries, many students began using remote learning for portions of the school year based on quarantines. Although many schools are back to in person learning the program must support a return to remote learning if it becomes necessary as the pandemic continues.

In addition to challenges associated with delivering effective E-rate program services during the pandemic, FCC and USAC management must ensure adequate program controls to detect and deter inherent program risks, as well as risks identified by prior OIG and USAC audits and OIG investigations, including those that transcend the pandemic:

- Missing or inadequate documentation to demonstrate compliance with FCC rules;
- Invoicing USAC for ineligible products/services;
- Untimely payment to service provider;
- Insufficient internet safety policy
- Product and/or services received by ineligible entity; and
- Service Provider billing inaccuracies.

Following-up on suggestions by an internal USAC risk assessment and a GAO review, OIG recommended a process by which USAC would collect and release competitive bidding documents and standardize bid responses from service providers to assist applicants in reviewing and selecting the most effective bid. The Commission has sought comments on this recommendation. While the majority of comments have been negative, the Antitrust Division of the US Department of Justice provided a comment in support of OIG's recommendation. The negative response to OIG's recommendation might be due to entrenched interests in preserving the

[13] Report on the State of the Lifeline Market place, June 2021, Prepared by WCB, pages 7-8, Figure 2, "Figure 2 shows that for the May 2021data month approximately 8% of Lifeline subscribers participate in a voice-only offering."

status quo by consultants who extract a significant amount of money from applicants for providing competitive bid collection and review from applicants. Resolving this issue in a manner that best protects program integrity is a management challenge.

USF Rural Health Care Program

To address various concerns in the RHC program, the Commission adopted the Report and Order, Promoting Telehealth in Rural America, WCB Docket No. 17-310. The Report and Order aimed to improve the RHC program competitive bidding process by adding a "fair and open" standard. It also implemented rules prohibiting service providers who intend to bid on supported services from assisting an applicant in completing the request for proposal or request for services forms and prohibiting a service provider who has submitted a bid from evaluating bids or choosing a winning bidder.

USAC began implementing these rules in 2021 and OIG has requested updates on that process. OIG is aware, however, that certain obstacles to full implementation of the revised rules have arisen and implementation has been delayed. Nevertheless, effective implementation of these newer rules by the FCC and USAC, diligent agency enforcement of both the newer rules and the existing rules, as well as general oversight of the Program, remain a significant management challenge. FCC's challenge is to continually use innovations to create ways to support rural hospitals and healthcare providers during the pandemic without creating gaps in controls that increase the risks for conflicts of interests, fraud, and abuse.

The RHC program funding cap is $637.7 million for funding year 2022, which includes a 4.2% inflation-adjusted increase from the $612 million cap in funding year 2021.

Pandemic Relief Funds

Affordable Connectivity Program

The EBBP was established pursuant to the Consolidated Appropriations Act of 2021, on December 27, 2020. Congress allocated $3.2 billion to support discounted broadband service to low-income households, including those experiencing COVID-19 related economic disruptions. On November 15, 2021, President Biden signed into law the Infrastructure Act, which transformed the EBBP into a longer-term broadband affordability program, the ACP, and appropriated an additional $14.2 billion of support.

In the Infrastructure Act, Congress reduced the monthly discount available to non-tribal households from $50 to $30 in the newly-renamed ACP. ACP funds may also be used to buy related equipment, such as computers and tablets. The ACP uses the Lifeline program's infrastructure, including the National Verifier, the NLAD, and the Lifeline Claims Systems, for subscriber eligibility, enrollment and service provider reimbursement.

The FCC must devote significant resources to monitor the ACP over the long-term to ensure that program service providers comply with program requirements. In its 2021 Management and Performance Challenges memo to the Commission, OIG outlined its assessment of the most serious management and performance challenges posed by the EBBP. Over the last year, OIG has identified a number of additional risks and challenges that FCC management must face as it administers the ACP.

Ensuring Subscriber Eligibility and Combatting Enrollment Fraud: As with the Lifeline program, one of the primary challenges the Commission faces is ensuring the eligibility of subscribers enrolled in the ACP. While the National Verifier has mitigated many risks associated with enrollment fraud, many challenges persist. As OIG shared with WCB and USAC, many of the routes within USAC systems that lead to eligibility and are unique to the ACP have proven vulnerable to fraud. As OIG discussed in its November 22, 2021 Advisory, providers and their agents took advantage of the less stringent enrollment requirements for households that participate in the CEP School Lunch Program to create tens of thousands of fraudulent enrollments.

In July and August 2022, OIG also shared extensive evidence with WCB and USAC that enrollments based on Pell Grant program participation and income eligibility may pose special challenges as subscriber eligibility based on those two avenues cannot be confirmed by National Verifier database connections. Moreover, OIG found many examples of purported Pell Grant documentation that were clearly fabricated to support fraudulent program enrollments. The Commission also relies on the efficacy of the National Verifier's manual review process to confirm the eligibility of subscribers who meet the ACP's broader income eligibility requirements, which include receiving free or reduced school lunch or Pell Grants. As discussed in greater detail below, the National Verifier's manual review process poses its own challenges.

The Commission must also confirm that program administrators are leveraging all data collected by the National Verifier and NLAD to ensure subscriber eligibility. For example, many ACP subscribers are eligible for program support through a Benefit Qualifying Person (BQP)—another household member, such as a child or dependent, who meets one of the ACP eligibility requirements. Subscribers who apply for ACP support based on a BQP's eligibility are required to furnish certain PII about the BQP to the National Verifier and NLAD as part of the ACP verification and enrollment processes. As OIG shared with WCB and USAC and as discussed in its September 8, 2022 Advisory, a number of providers and their agents enrolled many households into the ACP based on the eligibility of a single BQP. Some BQPs were used to qualify hundreds of ACP households.

While providers and their agents are clearly at fault for furnishing fraudulent information to the Verifier and NLAD, OIG's assessment of this issue did not require significant investigation, only a comparison of enrollment data already stored in those two systems. While we understand WCB and USAC plan to implement a mechanism to detect the use of a BQP to support more than one ACP enrollment in the future, this example demonstrates a missed opportunity—program administrators could have used readily available data to prevent these fraudulent program enrollments.

The FCC began this program under tremendous urgency. The expedited timeline in which this program was developed and implemented certainly contributed to some susceptibility to fraud and abuse. We urge the Commission to conduct an assessment of those vulnerabilities and develop measures necessary to close such gaps.

Missing and Bogus Enrollment Data: Relatedly, the Commission faces a significant challenge addressing several data integrity issues detected by OIG. Over the last year, OIG found that providers have failed to furnish the NLAD with information required by program rules. For example, 47 CFR 54.1806(d)(4) requires providers to transmit to the NLAD certain information about each subscriber including full name, residential address, date of birth, and the telephone number associated with ACP service. OIG found the phone number information missing for more than 35,000 enrollments by one provider—the database fields are simply empty. Also, as we pointed out for the first time in our December 10, 2021 memo to WCB, many providers have not provided any information regarding sales agent involvement in subscriber verification and enrollment activity. Provider failure to share such information violates program rules, negatively impacts program integrity and makes the missions of OIG and the Enforcement Bureau more challenging.

In addition to missing data, OIG has discovered a significant amount of bogus enrollment information in the National Verifier and NLAD databases. For example, many of the suspicious enrollments identified by OIG share identical subscriber email addresses. Frequently, these email addresses match email addresses used by sales agents to register with the RAD. Other examples of bogus email addresses include "gfy@gmail.com" where the "gfy" in the email address stands for "go [expletive removed] yourself." Fake email addresses often follow distinctive patterns. Other examples of bogus enrollment information include the single-family addresses used to enroll dozens of ACP households. Data authenticity and integrity are more important and pressing challenges for the Commission to consider as it administers the ACP.

National Verifier Manual Review Process: A significant number of ACP subscriber applications require manual review to confirm subscriber eligibility. OIG recognizes the profound challenges posed by conducting a manual review of subscriber eligibility proofs and other enrollment-related documents at this scale. USAC has worked carefully to make significant improvements to the manual review process including hiring a new vendor to conduct the day-to-day review. Recently, OIG made a number of preliminary recommendations to improve the efficacy of the manual review process and there remains room for improvement. We anticipate making additional recommendations in the coming months. Among the challenges FCC management faces regarding the manual review process include: 1) Ensuring the ServiceNOW platform is configured to allow reviewers to leverage all review information as they accept or reject an application; 2) Ensuring the Program Integrity team communicates its findings to the USAC BPO management team in a timely manner; and 3) Improving reviewer performance to mitigate reviewer errors.

Alternative Verification Process: The Consolidated Appropriations Act allowed a participating provider to "rely upon an alternative verification process of the participating provider," to determine household eligibility and enroll households in the EBB program, subject to certain conditions. Providers continue to utilize alternative verification processes (AVPs) to verify the eligibility of ACP subscribers.

The Commission approved the AVPs utilized by participating providers based on the information those providers furnished in their AVP applications, but the Commission and USAC have little visibility into the day-to-day working of these AVPs. This is concerning for two reasons. First, several of the largest ACP providers utilize AVPs to verify the eligibility of all or substantially all of their ACP subscribers. Second, the Commission has received a number of complaints from households who have received offers for "pre-qualified" ACP supported service from providers who utilize AVPs. These pre-qualified households complain that they are not the intended beneficiaries of the ACP and should not receive subsidized service. The Commission must learn more about how AVPs may lead to waste and abuse of government resources.

Tied ACP and Lifeline Enrollments: On March 11, 2022, OIG issued an Advisory to alert consumers and the public that certain providers were impermissibly tying enrollment in the ACP and Lifeline program. The Commission had previously warned providers against deceptive marketing practices that would undermine program integrity and threaten Lifeline service including "suggesting or implying that signing up for [ACP] services is required for obtaining or continuing services, including Lifeline services" and that "not clearly distinguishing the process of signing up for EBB services from the process of signing up for, renewing, upgrading or modifying other telecom services, including Lifeline services."[14] Moreover, the Commission later codified these consumer protection requirements in the ACP rules.[15] Despite this clear messaging, OIG found a number of providers who continued to tie enrollment in both programs.

Since OIG issued its Advisory, many of the providers appear to have ceased this harmful practice. Nevertheless at least one large ACP provider persists in deceptive marketing practices aimed at tying enrollment in both programs. Consumers should have the choice to enroll in either program or both programs according to their individual needs. Provider practices designed to require customers to enroll in both programs violate program rules and result in waste of government resources. FCC management should continue to monitor these deceptive marketing practices and take appropriate action in response.

The OIG's report on the Audit of Federal Communications Commission's Emergency Broadband Benefits Program, issued on June 21, 2022, found that the FCC did not have effective controls in place to ensure the verification of household eligibility when manual review was required. Specifically the controls did not ensure that payments made to eligible providers, were for eligible expenses, reduce improper payments, or prevent fraud, waste and abuse in the EBBP program. The audit report recommends strengthening internal around manual verification and Provider self-certification.

Many of the EBBP controls and processes transitioned to the permanent ACP program, therefore, the weaknesses identified during the EBBP audit must be addressed in the new ACP Program. Management has provided planned corrective actions for the issues identified. Full implementation of the planned corrective actions should strengthen ACP internal controls and reduce program fraud waste and abuse.

Emergency Connectivity Fund

In early 2021, the Office of Investigations tracked the progress of the American Rescue Plan Act of 2021 (ARPA), which proposed appropriating $7.6 billion to establish the "Emergency Connectivity Fund" (ECF), of which $1 million was to go to OIG to oversee the program. The ECF program was to generally follow the USF's Schools and Libraries program model but offer 100 percent reimbursement for items not eligible for funding under that program, such as computers and internet hotspots. The Commission has permitted three rounds of applications for funding from the program, and as of mid-August 2022, the Commission has committed over $5.7 billion from the program to fund 12 million connected devices and 7 million broadband

[14] May 11, 2021 Enforcement Advisory, DA 21-551.

[15] 47 CFR §54.1810(a)(3).

connections at 10,000 schools, 900 libraries and 100 consortia. OIG has obtained underlying ECF data and begun the process of inspecting schools to determine compliance with program rules and understanding how the program operates for applicants. As the Office of Investigations has only four full time employees working on ECF plus E-rate, RHC and other newly created pandemic-related programs, OIG has contracted for staffing to assist with inspections. OIG expects to commence targeted inspections utilizing these contracted staff in the fall of 2022. Oversight of this immense, new program, with which the agency still has little experience, is a significant management challenge.

Telecommunications Relay Service

The OIG understands that use of TRS-related services, particularly internet protocol captioned telephone service, has increased in recent years, threatening to exceed the amount of program funding available. Addressing potential funding shortfall may impose significant management challenges when confronting increasing program utilization.

In 2013, the FCC issued a Report and Order directing the establishment of the Telecommunications Relay Service User Registration Database (URD). The FCC requires video relay service (VRS) providers to submit a VRS user's personal information (name, address, date of birth, last 4 of SSN, and ten-digit phone number) to LexisNexis for identity validation before registering the user in the URD. The URD became operational on January 1, 2018 and is a safeguard to protect the VRS program from fraud, waste, and abuse. In January 2020, OMD directed Rolka Loube (RLA) to audit the URD.

Over the past year, OIG has learned the audit has uncovered serious problems. For example, the audit confirmed that several hundred deceased individuals were registered by a provider as VRS users. The auditors also made troubling discoveries regarding the documentation providers are supposed to collect to resolve identity validation errors—many of the documents were missing, expired, illegible or collected after the provider resolved the identity validation error. Some providers have voluntarily terminated large numbers of user accounts when the auditors discovered the user's documentation was missing or inadequate. OIG understands the program administrator has identified a number of suspicious name updates in the URD. As the Commission and the Administrator continue to assess measures implemented to reduce fraud, waste, and abuse in the TRS program, management needs to hold providers accountable for failing to comply with program rules.

Since 2019, the OIG Payment Information Improvement Act (PIIA) audit reports have included a finding that FCC and TRS improper payment risk assessment did not have adequate focus on program rules such as certification of eligible users, certification of TRS providers, and National Deaf-Blind Equipment Distribution Program[16] reimbursements for eligible individuals and authorized services. Although OMB granted the FCC relief from TRS program improper payment testing procedures required by the Program Integrity Information Act (PIIA) in 2020, the FCC is

[16] The FCC's National Deaf-Blind Equipment Distribution Program (NDBEDP), also known as iCanConnect, provides equipment needed to make telecommunications, advanced communications, and the Internet accessible to low-income individuals who are deaf-blind or have both significant vision loss and significant hearing loss.

still required to perform improper payment risk assessments for the TRS fund. Addressing the TRS risk assessment recommendations from the PIIA audit will help management combat the significant TRS performance challenges noted above.

Bridging the Digital Divide – Broadband Mapping

The Broadband funding to the National Telecommunications and Information Administration (NTIA), the Department Agriculture, the Treasury Department and the Commission for broadband mapping has been unprecedented. Under the FCC, USDA, NTIA and Treasury agreement, adopted in June of 2021, information will be shared among the agencies about projects they are working on. The Commission has recognized it will need to ensure there is extensive interagency coordination concerning mapping and funding commitments to identify broadband deployment locations and to avoid the expenditure of funds for duplicative support. Effectively doing so is a management challenge.

The Commission will also need to ensure access is widely available to the broadband maps that are being developed showing precise and granular broadband mapping data which will serve as an essential tool to evaluate where broadband spending is needed, as well as to measure progress towards ubiquitous broadband deployment. Carriers with deployment obligations are required to report progress in meeting their FCC-required milestones by filing broadband deployment data and related certifications within the HUBB portal: the portal tracks where carriers are building-out high-speed Internet service by latitude and longitude; provides evidence that carriers are meeting minimum performance standards, i.e., upload and download speeds; and, documents whether they have met applicable deployment milestones. All this information must be monitored and timely analyzed, and USAC must take appropriate action against carriers who are not meeting their deployment and performance requirements, including withholding funding and, as appropriate, timely reporting such activity to the FCC's Enforcement Bureau and to OIG, particularly where USAC observes carrier rule violations that suggest a carrier's actions are not isolated, but are part of a pattern of inappropriate activity.

Toward these ends, the Commission, through the work of the Broadband Data Task Force, must continue to develop new data collection and mapping platforms that provide the tools to meet the challenges of widening broadband's reach across the county and to ensure the efficient uses of spectrum. The Task Force's efforts to implement the Broadband Data Act will develop more precise and accurate fixed and mobile broadband coverage maps with the participation of the industry and the public. This will enable the Commission to better ensure service in underserved areas of the country, and provide it with an enforcement tool to ensure Commission spectrum grantees are fulfilling the conditions of their spectrum awards.

The public, state, local, and Tribal governmental entities on the ground will have access to a comprehensive database of all locations in the country to which mobile and fixed broadband will be available. Parties will be able to file whistleblower complaints about spectrum grantees who are violating the conditions of their spectrum grants, which could involve fraudulent activity on the part of grantees that would be difficult to detect without whistleblower reports. The Deployment Locations Map, which the Commission is required to develop to provide a comprehensive window of federal funding across the country, will be used by federal agencies as well as by the states.

In February 2022, the Commission announced that all covered providers (namely, all facilities-based providers of fixed and mobile broadband Internet access service) would be required to submit broadband availability data under the new rules and procedures by September 1, 2022. In March 2022, FCC's Office of Economics and Analytics published the data specifications related to the biannual submission of subscription, availability, and supporting data for the Broadband Data Collection (BDC). The Commission opened the filing window for the BDC on June 30, 2022.

In December 2020, the Commission announced the winners of the Rural Development Opportunity Fund's (RDOF's) Phase I auction. Out of $20.4 billion available funding, RDOF Phase I auction winner recipients will receive $9.23 billion, which will be distributed over ten years to bring high speed fixed broadband service to rural homes and small businesses that lack it. The areas targeted for 80 percent of the total RDOF investment were selected based on broadband mapping data known for inaccuracies. In fact, at least 38 auction winners have notified the Commission that they will default on their obligations for at least 1,614 of the census blocks awarded to them in the auction, in most cases because the blocks were found to be already served by another provider or devoid of people. In August 2022, the Commission announced that it had determined that two RDOF bid winners – Starlink and LRD Broadband – were not reasonably capable of complying with the program's requirements for speed and latency and, thus, it denied their long form RDOF applications. Also in August 2002, the Commission announced it was authorizing $791 million in RDOF funding to six providers in 19 states as part of the final round of RDOF grants.

It is a significant management challenge to ensure that the maps reflect accurate broadband deployment and, concurrently, that subsidies are disbursed to foster build-out in underserved areas to further bridge the digital divide and deploy 5G service.

<u>**Secure Networks Reimbursement Program (a/k/a "Rip and Replace")**</u>

In March 2020, the President signed into law the Secure and Trusted Communications Networks Act of 2019 (the Secure Networks Act), which among other things required the Commission to establish a program to reimburse providers of advanced communications services for the removal, replacement, and disposal of covered communications equipment and services from their networks. That law built upon previous actions by the Commission designating Huawei Technologies Company and ZTE Corporation as "covered companies," and rules prohibiting the use of USF support to purchase or obtain any equipment or services produced or provided by a covered company.

In December 2020, the Commission adopted the Supply Chain Second Report and Order, enacting rules that established the Secure and Trusted Communications Networks Reimbursement Program (SCRP), as required by the Secure Networks Act. A few weeks later, the President signed into law the Consolidated Appropriations Act of 2021 (CAA), amending the Secure Networks Act that, among other things, expanded the reimbursement program eligibility pool to include larger telecom companies. The CAA also appropriated $1.9 billion to fund the SCRP. In April 2021, the Commission selected Ernst & Young to administer the SCRP. In July 2021, the Commission adopted the Supply Chain Third Report and Order to conform the rules for the SCRP to be consistent with the changes made by the CAA, and to flesh out additional details for the program.

In November 2021, the FCC began accepting applications for SCRP funding. By February 2022, providers had submitted applications requesting approximately $5.6 billion in SCRP funding, much more than the $1.9 billion appropriated. In July 2022, after reviewing the applications, WCB determined that "Priority 1 applicants have submitted approximately $4.6 billion in cost estimates that are reasonable and supported," and that "[b]ecause available funding is substantially less than that amount, the Commission rules require that allocations to Priority 1 applicants be prorated on an equal basis." Additionally, while there has not been a significant amount of disbursements in the program yet, the reimbursements are allowed up to one year and extensions may be provided for an additional two years. Ensuring available program funds are allocated equitably and challenges from an extended disbursement process are managed properly will pose significant management challenges

Compliance with Payment Integrity Information Act of 2019

The Payment Integrity Information Act (PIIA) of 2019 (Public Law 116-117) directs federal agencies and departments to undertake activities designed to identify, report, reduce and recover improper payments in government's programs and activities. The OIG's FY 2021 Payment Integrity Information Act audit report, issued on June 28, 2022, found that 2 of the FCC's 10 programs, Lifeline and High Cost, were non-compliant with at least one PIIA criteria.

The USF Lifeline program was non-compliant because the combined improper and unknown payment rate was 15.87%, which exceeds the OMB threshold of 10%. Additionally, USAC, the program administrator, did not demonstrate improvements to its payment integrity program, as required by PIIA. Further, the auditors concluded that the FCC excluded $30 million of improper payments from the Commission's reported payment integrity information and was, thus, noncompliant with the PIIA.

The High Cost program was non-compliant because the FCC and USAC's risk assessment process did not consider all program risks for the Modernized and Legacy programs. Additionally, the risk assessment process for the High Cost program did not incorporate the Enterprise Risk Management (ERM) framework from OMB Circular A-123.

To ensure compliance with PIIA, FCC management and USAC must address the persistently high rate of improper payments in the Lifeline program. Additionally FCC management and USAC must address deficiencies noted in the risk assessment for the High Cost program. Ensuring the Commission is compliant with the requirements of PIIA is considered a significant management challenge.

Compliance with the Digital Accountability and Transparency Act of 2014

In 2006, Congress passed the Federal Funding Accountability and Transparency Act (FFATA) of 2006,[17] which requires OMB to ensure the existence and operation of a free, publicly accessible website containing data on federal awards (such as contracts, loans, and grants). In order to comply with FFATA reporting requirements, OMB launched the website USAspending.gov.

[17] Public Law No. 109-282, Federal Funding Accountability and Transparency Act of 2006, sections 1 to 4, September 26, 2006.

In May 2014, the Digital Accountability and Transparency Act (DATA Act) of 2014 was signed into law, amending and augmenting FFATA, to increase accountability, transparency, accessibility, quality, and standardization in federal spending data. The DATA Act requires federal agencies to report financial and payment information to the public through USAspending.gov in accordance with government-wide financial data standards developed and issued by OMB and the Department of the Treasury.

The OIG's FY 2021 DATA Act audit found that the FCC's DATA act submission was incomplete. Specifically, OIG's contract auditors reported that the FCC did not submit transaction-level TRS fund component spending data for the three consecutive audit cycles. Additionally, the FCC submitted USF spending data that did not comply with the DATA Act requirements because of significant deficiencies in the quality of the reported data. The FCC has not fully developed and executed a DATA Act project plan to capture, link, reconcile, and report on award-level financial and spending information with the TRS administrator, Rolka Loube. The auditors also found that the FCC did not implement a final Data Quality Plan (DQP) during the scope of their review. According to FCC's Corrective Action Plan , dated July 27, 2022, FCC expects to complete its TRS Fund project plan by January 31, 2023 and implement its DQP by September 30, 2022.

The FCC has taken steps to implement and use the data standards required by federal guidance, but improvements are still needed. As of September 2022, two of the nine 2021 audit report recommendations had been closed, and the remaining seven had not been fully implemented. While the performance of the DATA Act audit is no longer required, OIG continues to monitor FCC's progress in implementing prior year DATA Act audit recommendations. Until outstanding implementation issues surrounding FCC components are addressed, full compliance with DATA Act will remain a significant management challenge.

cc: Managing Director
Chief of Staff
Chief Financial Officer
Chief Information Officer